

WILLKIE FARR & GALLAGHER LLP

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RECEIVED

JUN 30 2005

Federal Communications Commission
Office of Secretary

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Washington, DC 20006-1238
Tel: 202 303 1000
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June 30, 2005

VIA HAND DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
c/o Natek, Inc.
236 Massachusetts Avenue, N.E.
Suite 110
Washington, DC 20002

ORIGINAL

EX PARTE OR LATE FILED

Ex Parte Notice

Re: **Applications for Consent to the Assignment and/or Transfer of Control of Licenses, Adelphia Communications Corp., Assignors, to Time Warner Cable Inc., Assignees; Adelphia Communications Corp., Assignors and Transferors, to Comcast Corporation, Assignees and Transferees; Comcast Corporation, Transferor, to Time Warner Inc., Transferee; Time Warner Inc., Transferor, to Comcast Corporation, Transferee, MB Docket No. 05-192**


Dear Ms. Dortch:

On June 14, 2005, the undersigned submitted an ex parte letter (the "June 14 Letter") in the above-captioned proceeding. A copy of the June 14 Letter and accompanying exhibits are attached. This letter is to confirm that Time Warner Inc., Comcast Corporation, and Adelphia Communications Corporation do not request confidential treatment for the June 14 Letter and exhibits.

This letter is filed pursuant to Section 1.1206(b)(2) of the Commission's rules and the Public Notice in the above-captioned proceeding.

Please contact me if you have any questions.

Respectfully Submitted,



Michael H. Hammer

Attachments

cc: Julie Salovaara

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Ex Parte Notice

Re: **Applications for Consent to the Assignment and/or Transfer of Control of Licenses, Adelphia Communications Corp., Assignors, to Time Warner Cable Inc., Assignees; Adelphia Communications Corp., Assignors and Transferors, to Comcast Corporation, Assignees and Transferees; Comcast Corporation, Transferor, to Time Warner Inc., Transferee; Time Warner Inc., Transferor, to Comcast Corporation, Transferee, MB Docket No. 05-192**

Dear Ms. Dortch:

At the request of the Commission staff, on June 13, 2004, Art Harding and Susan Mort, representing Time Warner Inc. ("Time Warner"), Larry Secrest and Jim Coltharp, representing Comcast Corporation ("Comcast"), and Myron Trepper and the undersigned, representing Adelphia Communications Corporation ("Adelphia") (collectively, the "Parties"), met with the following individuals to discuss bankruptcy issues related to the above-captioned transaction: Barbara Esbin, Marcia Glauberman, Thomas Horan, Jamila Bess Johnson, William Johnson, Timothy May, Royce Sherlock, Daniel Shiman, and Tracy Waldon of the Media Bureau, and Jim Bird, Ann Bushmiller, Michele Ellison, Kent Nilsson, and Stanley Scheiner of the Office of General Counsel. During the meeting, the Parties provided Commission officials with certain documents, copies of which are attached hereto.

Mr. Trepper gave a brief description of Adelphia's lines of business, Adelphia's growth as a result of acquisitions beginning in 1999, Adelphia's corporate structure, and the problems leading up to Adelphia's decision to file for bankruptcy in 2002. Mr. Trepper described Adelphia's efforts to attract the current management team in 2003 and to secure additional financing for the company.

Mr. Trepper stated that after the current management team was in place, Adelphia began working on a plan for emerging from bankruptcy. Mr. Trepper explained that Adelphia considered two primary strategies for exiting from bankruptcy. First, Adelphia considered a "standalone" plan under which the company would have emerged from bankruptcy as an independent company in the same lines of business as before the bankruptcy. Second, Adelphia considered a sale process in which it would consider bids for all or parts of the company's assets. Mr. Trepper explained the reasons why Adelphia ultimately decided to pursue the sale process and determined that the bid submitted by Time Warner and Comcast would yield a more favorable mix of currency at a premium over the hypothetical total enterprise value that would be obtained under a standalone plan. Mr. Trepper further explained that if Adelphia was forced at this stage in the process to chose a different plan for exiting bankruptcy, it would be extremely time-consuming and costly, likely would generate complex litigation, would be a drain on Adelphia's management, and could negatively affect the continued operations of Adelphia's cable systems. In addition, as noted above, in the view of Adelphia's management, any such alternative plan would be far less favorable to Adelphia's creditors than the current proposal before the Commission. Mr. Trepper described the elements of the sale process that was pursued by the company and that resulted in the proposed transaction that is before the Commission in this proceeding.

Mr. Trepper described the steps that would have to be taken to complete the bankruptcy process and stated that Adelphia expected to complete the process by the end of 2005.

This letter is filed pursuant to Section 1.1206(b)(2) of the Commission's rules and the Public Notice in the above-captioned proceeding. Pursuant to the Public Notice, copies of this letter and attachments are being provided to the following individuals: Barbara Esbin, Tracy Waldon, Royce Sherlock, Marcia Glaubergerman, Julie Salovaara, Wayne McKee, Jim Bird, Jeff Tobias, JoAnn Lucanik, and Kimberly Jackson.

Please contact me if you have any questions.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Michael H. Hammer", with a long horizontal flourish extending to the right.

Michael H. Hammer

Attachments

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re)	Chapter 11 Cases
)	
Adelphia Communications Corporation, <u>et al.</u> ,)	Case No. 02-41729 (REG)
)	
Debtors.)	Jointly Administered
)	

MAY 2005 AMENDMENTS TO SCHEDULES OF LIABILITIES

WILLKIE FARR & GALLAGHER LLP
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ATTORNEYS FOR THE DEBTORS

These Global Notes (the "Global Notes") Regarding Debtors' May 2005 Amended Schedules of Liabilities comprise an integral part of the May 2005 Amended Schedules of Liabilities and should be referred to and considered in connection with any review of them.

1. The May 2005 Supplemental Schedule of Liabilities (the "Bankruptcy Schedules") of Adelphia Communications Corporation ("Adelphia") and its affiliated debtors in the above-captioned, jointly administered Chapter 11 cases (collectively, the "Debtors") have been prepared pursuant to section 521 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 1007 of the Federal Rules of Bankruptcy Procedure by management of the Debtors and are unaudited. The information provided herein is as of the close of business on June 30, 2002 for all of the Debtors. The financial affairs and businesses of the Debtors are extremely large and complex. While the Debtors' management has made every reasonable effort to ensure that the Bankruptcy Schedules are accurate and complete, based upon information that was available to them at the time of preparation, the subsequent receipt of information and/or further review and analysis of the Debtors' books and records may result in material changes to financial data and other information contained in the Bankruptcy Schedules. Inadvertent errors or omissions may exist, however.
2. Prior to the commencement of these chapter 11 cases, the Debtors participated in a centralized cash management system through which payments to third-party creditors generally were made by Adelphia Cablevision, LLC ("Adelphia Cablevision") on behalf of the other Debtors. The cash management system consisted of approximately seven bank accounts, (i) all of which were reported on the Debtors' books and records as being owned by Adelphia Cablevision, and (ii) all but one of which were registered with the applicable bank in the name of Adelphia Cablevision. The one account that was not in the name of Adelphia Cablevision was in the name of National Cable Acquisition Associates, L.P. and was a lockbox account. Payments to third parties generally were recorded on the books and records of the entity on behalf of which the payment was made. Cash receipts generally were collected by Adelphia Cablevision. Pursuant to policies established in connection with the reconstruction of the Debtors' books and records, unless evidenced by documentation between two Debtors, all intercompany balances are deemed to be between a Debtor and Adelphia Cablevision. All such intercompany transfers between a Debtor on the one hand, and Adelphia Cablevision on the other hand, have been netted in the Intercompany Schedule, creating either a net payable or receivable intercompany balance between each such Debtor and Adelphia Cablevision.
3. Beginning in 1992, certain of the Debtors purchased controlling equity interests in certain cable systems owned by or affiliated with Tele-Media Corporation of Delaware ("TMCD"). The entities, which are Debtors in these cases, are: Adelphia Company of Western Connecticut (also known as Tele-Media Company of Western Connecticut), TMC Holdings Corp., CMA Cablevision Associates VII, L.P., CMA Cablevision Associates XI, L.P., Tele-Media Company Of Tri-States, L.P., Eastern Virginia Cablevision, L.P., Eastern Virginia Cablevision Holdings, LLC, Tele-Media Investment Partnership, L.P., and Tele-Media Company of Hopewell-Prince George (collectively, the "Tele-Media Debtors"). Pursuant to certain agreements, through the Petition Date,

TMCD provided management and other services to the Tele-Media Debtors. Neither TMCD nor any of its affiliates (except for the Tele-Media Debtors) is a Debtor in these cases and neither TMCD nor any of its affiliates (except for the Tele-Media Debtors) has filed for relief under the Bankruptcy Code. As of June 30, 2002, the Tele-Media Debtors did not participate in the Debtors' centralized cash management system described above. Rather, the Tele-Media Debtors participated in a cash management system managed by TMCD and certain of its affiliates. In the ordinary course of business, TMCD paid the expenses of the Tele-Media Debtors and certain other non-debtor affiliates of TMCD through a common paymaster account. The Tele-Media Debtors also received certain disbursements and had certain obligations to certain of the Debtors, including Adelphia Cablevision.

4. In January 2005, the Debtors filed the January 2005 Supplemental Schedule of Liabilities, which consisted of a list of each Debtor's net payable or receivable intercompany balance to or from Adelphia Cablevision (the "Intercompany Schedule"). Also included were the net payable or receivable affiliate balances for certain affiliates of the Debtors, including certain of the co-borrowing Rigas entities. Balances with entities that do not consolidate with Adelphia or are non-co-borrowing Rigas entities are not included in the Intercompany Schedule.
5. The May 2005 Intercompany Schedule supercedes the January 2005 Intercompany Schedule in its entirety.
6. After further review of the Debtors' books and records, the Debtors have determined that certain changes to the January 2005 Intercompany Schedule were required to account for, among other things: (i) beginning balance adjustments, (ii) purchase accounting adjustments, (iii) intercompany interest adjustments, (iv) certain asset transfer adjustments, (v) certain eliminations of duplicative co-borrowing interest charges, and (vi) certain miscellaneous restatement and clerical adjustments (collectively, the "May 2005 Adjustments"). All of the May 2005 Adjustments have been made on the Intercompany Schedule annexed hereto.
7. In addition to the May 2005 Adjustments, the Debtors determined that the Intercompany Schedule includes the opening intercompany balances of acquired entities. At the time such entities were acquired, Adelphia carried over the then existing intercompany balances among the acquired entities (the "Historic Entries"), which at the time had virtually no substantive effect because such intercompanies netted out to zero. For example, in 1999, when Adelphia purchased Century Communication Corporation or the FrontierVision system, each business had its own cash management system with receivables and payables between the acquired entities and their centralized cash management entity. Since such payables and receivables netted to zero, the Historic Entries were left and remain on the books and records of the Debtors. The Historic Entries have been accounted for as if the entries were between the Bank of Adelphia and the acquired entities. The Historic Entries are reflected in the balances presented in the Intercompany Schedule but the Debtors reserve the right to subsequently exclude, among other things, the Historic Entries from the Intercompany Schedule. After removing the Historic Entries, on a silo basis, the intercompany balances would be as follows:

These Global Notes (the "Global Notes") Regarding Debtors' May 2005 Amended Schedules of Liabilities comprise an integral part of the May 2005 Amended Schedules of Liabilities and should be referred to and considered in connection with any review of them.

Amounts in Thousands	Intercompany Receivable Balances Without Historic Entries As Of June 30, 2002	Intercompany (Payable) Balances Without Historic Entries As Of June 30, 2002
Silo/Debtor Group		
Total Century Silo with Rigas Family Partnerships	\$ 5,113,042	\$ (7,727,001)
Century-TCI Silo	\$ 267,868	\$ (141,742)
Total UCA Silo with Rigas Family Partnerships	\$ 969,842	\$ (728,011)
Parnassos Silo	\$ -	\$ (88,616)
FrontierVision Silo	\$ 4,958	\$ (174,001)
Total Olympus Silo with Rigas Family Partnerships	\$ 2,837,222	\$ (2,838,804)
Silo 7A	\$ 16,931,808	\$ (3,541,363)
Silo 7B Arahova	\$ 864,947	\$ (75,508)
Silo 7C	\$ -	\$ (411,112)
Holding Company, Guarantor, Non-Filers and Eliminations	\$ 84,142	\$ (11,347,671)

8. The intercompany balances can be characterized in many ways, including: (i) *pari passu* with all third-party debt, including bank debt; (ii) *pari passu* with trade debt but subordinated to bank debt; (iii) subordinated to all third-party debt but senior to common equity; or (iv) equity. In the Debtors' First Amended Joint Plan of Reorganization, dated February 4, 2005 (as it may be subsequently amended, the "Plan"), the Debtors treated all intercompany payables as subordinated to all third-party debt but senior to common equity. The Debtors reserve all of their rights with respect to the intercompany balances, including, but not limited to, the appropriate characterization of the intercompany balances in the Plan.
9. For administrative convenience only, without waiving any defense, including, but not limited to defenses related to substantive consolidation or piercing the corporate veil, the filing of the Intercompany Schedule in the jointly administered case for Adelphia Communications Corporation, Case No. 02-41729, shall be deemed to be a filing of the May 2005 Amended Schedules in each of the Debtors' cases and an amendment of previously filed bankruptcy schedules.
10. The Debtors reserve all rights to amend without notice the Bankruptcy Schedules in all respects, as may be necessary or appropriate, including, but not limited to, the right to dispute or to assert offsets or defenses to any claim reflected on the Bankruptcy Schedules as to amount, liability or classification, to otherwise subsequently designate any claim as "disputed," "contingent" or "unliquidated." Any failure to designate a claim as "contingent," "unliquidated," or "disputed" does not constitute an admission by the Debtors that such claim is not "contingent," "unliquidated," or "disputed," or to

reallocate liabilities between the pre-petition and post-petition periods based on any additional information. Although none of the balances on the Intercompany Schedule is listed as contingent, disputed or unliquidated, the Debtors reserve the right to seek alternative treatment of such balances, including, but not limited to, equitable subordination or disallowance.

11. Significant disputes exist between creditors of the Arahova and Holding Company Debtor Groups regarding, among other issues, (i) the appropriate legal characterization of the intercompany claims, (ii) whether or not such claims should be netted on a Debtor Group basis or preserved on a gross basis (a receivable and payable by Debtor Group), and (iii) the inclusion or exclusion of the Historic Entries from the Intercompany Schedule.
12. Nothing contained in the Bankruptcy Schedules shall constitute a waiver of the Debtors' rights with respect to these Chapter 11 cases, including, among other things, issues involving substantive consolidation, equitable subordination and/or causes of action arising under the provisions of Chapter 5 of the Bankruptcy Code and other relevant non-bankruptcy laws to recover assets or avoid transfers.
13. The preparation of the Bankruptcy Schedules required the Debtors to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. The Debtors reserve the right to make further adjustments to the Intercompany Schedule.
14. Given the differences between the information requested in the Bankruptcy Schedules and the financial information utilized under generally accepted accounting principles in the United States (the "GAAP"), the aggregate asset values and claim amounts set forth in the Bankruptcy Schedules do not reflect the amounts that would be set forth in a balance sheet prepared in accordance with GAAP. In addition, not all of the direct and indirect subsidiaries of Adelphia have filed for protection under Chapter 11. Accordingly, combining the assets and claims set forth in the Bankruptcy Schedules of the Debtors would result in amounts that may be substantially different from financial information regarding Adelphia and its subsidiaries that would be prepared on a consolidated basis under GAAP. The balances on the Intercompany Schedule are unaudited and certain elements of the balances were not part of the Debtors' restatement process.
15. The Debtors and their agents, attorneys and financial advisors do not guarantee or warrant the accuracy or completeness of the data that is provided herein and shall not be liable for any loss or injury arising out of or caused in whole or in part by the acts, errors or omissions, whether negligent or otherwise, in procuring, compiling, collecting, interpreting, reporting, communicating or delivering the information contained herein. While every effort has been made to provide accurate and complete information herein, inadvertent errors or omissions may exist. The Debtors and their agents, attorneys and financial advisors expressly do not undertake any obligation to update, modify, revise or re-categorize the information provided herein, or to notify any third party should the information be updated, modified, revised or re-categorized. In no event shall the

These Global Notes (the “Global Notes”) Regarding Debtors’ May 2005 Amended Schedules of Liabilities comprise an integral part of the May 2005 Amended Schedules of Liabilities and should be referred to and considered in connection with any review of them.

Debtors or their agents, attorneys and financial advisors be liable to any third party for any direct, indirect, incidental, consequential or special damages (including, but not limited to, damages arising from the disallowance of a potential claim against the Debtors or damages to business reputation, lost business or lost profits), whether foreseeable or not and however caused, even if the Debtors or their agents, attorneys and financial advisors are advised of the possibility of such damages.

Summary of Intercompany Balances			
Dollars in Thousands			
	Gross	Gross	
	Receivables	(Payables)	Net
Legal Entity	06/30/02	06/30/02	06/30/02
Adelphia Cablevision Corp.	\$ -	\$ (330,953)	\$ (330,953)
Adelphia Cablevision of Boca Raton, LLC	\$ 17,663	\$ -	\$ 17,663
Adelphia Cablevision of Inland Empire, LLC	\$ 3,660	\$ -	\$ 3,660
Adelphia Cablevision of Newport Beach, LLC	\$ 7,664	\$ -	\$ 7,664
Adelphia Cablevision of Orange County II, LLC	\$ 5,449	\$ -	\$ 5,449
Adelphia Cablevision of Orange County, LLC	\$ 13,380	\$ -	\$ 13,380
Adelphia Cablevision of Seal Beach, LLC	\$ 4,133	\$ -	\$ 4,133
Adelphia Cablevision of West Palm Beach III, LLC	\$ 844	\$ -	\$ 844
Adelphia Cablevision of West Palm Beach IV, LLC	\$ 845	\$ -	\$ 845
Adelphia Cablevision of West Palm Beach V, LLC	\$ 1,577	\$ -	\$ 1,577
Adelphia Cleveland, LLC	\$ -	\$ (826,671)	\$ (826,671)
Adelphia Communications of California II, LLC	\$ 8,374	\$ -	\$ 8,374
Adelphia Communications of California, LLC	\$ -	\$ (1,967)	\$ (1,967)
Adelphia of the Midwest, Inc.	\$ -	\$ (896,339)	\$ (896,339)
Adelphia Prestige Cablevision, LLC	\$ -	\$ (819,042)	\$ (819,042)
Badger Holding Corp	\$ -	\$ (1,464)	\$ (1,464)
Blacksburg/Salem Cablevision, Inc.	\$ -	\$ (75,029)	\$ (75,029)
Brazas Communications, Inc.	\$ -	\$ (20,468)	\$ (20,468)
Century Berkshire Cable Corp	\$ -	\$ (6,163)	\$ (6,163)
Century Cable Holding Corp	\$ -	\$ (3,456,662)	\$ (3,456,662)
Century Cable Holdings, LLC	\$ 4,155,888	\$ -	\$ 4,155,888
Century Colorado Springs Partnership	\$ -	\$ (14,717)	\$ (14,717)
Century Indiana Corp	\$ -	\$ (67,055)	\$ (67,055)
Century Island Associates, Inc.	\$ -	\$ (1,940)	\$ (1,940)
Century Island Cable Television Corp	\$ -	\$ (2,616)	\$ (2,616)
Century Mendocino Cable Television	\$ 105,913	\$ -	\$ 105,913
Century Mountain Corp	\$ 6,349	\$ -	\$ 6,349
Century New Mexico Cable Television, Inc.	\$ -	\$ (246,359)	\$ (246,359)
Century Ohio Cable Television Corp	\$ -	\$ (14,778)	\$ (14,778)
Century Southwest Colorado Cable Television Corp	\$ -	\$ (13,221)	\$ (13,221)
Century Trinidad Cable Television Corp	\$ -	\$ (1,199)	\$ (1,199)
Century Virginia Corp	\$ -	\$ (15,638)	\$ (15,638)
Century Warrick Cable Corp.	\$ -	\$ (11,139)	\$ (11,139)
Century Wyoming Cable Television Corp	\$ -	\$ (7,285)	\$ (7,285)
Clear Cablevision, Inc.	\$ 32,690	\$ -	\$ 32,690
E & E Cable Service, Inc.	\$ 6,907	\$ -	\$ 6,907
Eastern Virginia Cablevision, LP	\$ -	\$ (30,538)	\$ (30,538)
Ft Myers Acquisition LP	\$ -	\$ (57,149)	\$ (57,149)
Ft Myers Cablevision, LLC	\$ 120,594	\$ -	\$ 120,594
Grafton Cable Company	\$ 2,251	\$ -	\$ 2,251
Harron Cablevision of New Hampshire	\$ 25,883	\$ -	\$ 25,883
Huntington CATV, Inc.	\$ 225	\$ -	\$ 225
Louisa Cablevision, Inc.	\$ -	\$ (1,124)	\$ (1,124)
Manchester Cablevision, Inc.	\$ -	\$ (200)	\$ (200)
Martha's Vineyard Cablevision, LP	\$ -	\$ (7,036)	\$ (7,036)
Mickelson Media, Inc.	\$ 27,205	\$ -	\$ 27,205
Owensboro on the Air, Inc.	\$ -	\$ (36,031)	\$ (36,031)
Paragon Cable Television, Inc.	\$ -	\$ (8,070)	\$ (8,070)
S/T Cable Corporation	\$ -	\$ (12,275)	\$ (12,275)
Scranton Cablevision, Inc.	\$ -	\$ (209,293)	\$ (209,293)
Sentinel Communications of Muncie, Indiana, Inc.	\$ -	\$ (1,976)	\$ (1,976)
Southwest Colorado Cable Inc.	\$ -	\$ (3,331)	\$ (3,331)
Star Cable Inc.	\$ -	\$ (1)	\$ (1)
Tele-Media Company of Tri-States, LP	\$ -	\$ (16,003)	\$ (16,003)
TMC Holdings Corp	\$ -	\$ (80,716)	\$ (80,716)
Tri-States, LLC	\$ 4,952	\$ -	\$ 4,952
Wellsville Cablevision, LLC	\$ -	\$ (28,930)	\$ (28,930)
Westover TV Cable Co., Inc.	\$ 3,684	\$ -	\$ 3,684
Total Century-SIO/Adelphia	\$ 4,556,131	\$ (7,323,876)	\$ (2,767,246)
Cablevision Business Services, Inc.	\$ 295	\$ -	\$ 295
Desert Hot Springs Cablevision, Inc.	\$ -	\$ (5,575)	\$ (5,575)
Highland Carlsbad Operating Subsidiary, Inc.	\$ 8,459	\$ -	\$ 8,459
Highland Prestige Georgia, Inc.	\$ 468,931	\$ -	\$ 468,931
Total Century-SIO/REP	\$ 477,685	\$ (5,575)	\$ 472,110
Century Co-Borrowing Interest Elimination	\$ 124,142	\$ -	\$ 124,142
Total Century-SIO/W/REP	\$ 4,515,758	\$ (7,328,951)	\$ (2,170,993)
Century-TCI California Communications, LP	\$ -	\$ (141,741)	\$ (141,741)
Century-TCI California, LP	\$ -	\$ (62,415)	\$ (62,415)

Summary of Intercompany Balances			
Dollars in Thousands			
	Gross	Gross	
	Receivables	(Payables)	Net
Legal Entity	06/30/02	06/30/02	06/30/02
Century-TCI Holdings, LLC	\$ -	\$ (1)	\$ (1)
Total Century-TCI Silo	\$ -	\$ (204,158)	\$ (204,158)
Adelphia Cablevision of Santa Ana, LLC	\$ -	\$ (5,166)	\$ (5,166)
Adelphia Cablevision of Simi Valley, LLC	\$ 514	\$ -	\$ 514
Adelphia Central Pennsylvania, LLC	\$ -	\$ (307,304)	\$ (307,304)
Eastern Virginia Cablevision Holdings, LLC	\$ 87	\$ -	\$ 87
National Cable Acquisition Associates, LP	\$ -	\$ (260,200)	\$ (260,200)
Olympus Communications, LP	\$ 504,572	\$ -	\$ 504,572
Southwest Virginia Cable, Inc.	\$ -	\$ (62,068)	\$ (62,068)
SVHH Cable Acquisition, LP	\$ -	\$ (25,249)	\$ (25,249)
Tele-Media Company of Hopewell-Prince George	\$ -	\$ (11,423)	\$ (11,423)
Tele-Media Investment Partnership, LP	\$ -	\$ (43,545)	\$ (43,545)
UCA LLC	\$ 94,165	\$ -	\$ 94,165
Van Buren County Cablevision, Inc.	\$ -	\$ (13,056)	\$ (13,056)
Total UCA Silo Adelphia	\$ 599,338	\$ (728,011)	\$ (128,674)
Hilton Head Communications, Inc.	\$ 315,244	\$ -	\$ 315,244
Ionian Communications, LP	\$ 28,717	\$ -	\$ 28,717
Total UCA Silo RFP	\$ 343,960	\$ -	\$ 343,960
UCA Co-Borrowing Interest Elimination	\$ 26,543	\$ -	\$ 26,543
Total UCA Silo W/RFP	\$ 969,841	\$ (728,011)	\$ 241,830
Parnassos Communications, LP	\$ -	\$ (63,730)	\$ (63,730)
Parnassos, LP	\$ -	\$ (24,886)	\$ (24,886)
Total Parnassos Silo	\$ -	\$ (88,616)	\$ (88,616)
Adelphia Communications of California III, LLC	\$ 1,941	\$ -	\$ 1,941
FOP Indiana, LP	\$ 2,849	\$ -	\$ 2,849
FrontierVision Access Partners, LLC	\$ -	\$ (60,675)	\$ (60,675)
FrontierVision Cable New England, Inc.	\$ -	\$ (55,233)	\$ (55,233)
FrontierVision Capital Corporation	\$ -	\$ (0)	\$ (0)
FrontierVision Holdings Capital Corporation	\$ 1	\$ -	\$ 1
FrontierVision Holdings Capital II Corporation	\$ -	\$ (0)	\$ (0)
FrontierVision Holdings, LP	\$ -	\$ (20,016)	\$ (20,016)
FrontierVision Operating Partners, LLC	\$ -	\$ (2)	\$ (2)
FrontierVision Operating Partners, LP	\$ -	\$ (36,778)	\$ (36,778)
Maine InternetWorks, Inc.	\$ 167	\$ -	\$ 167
Total FrontierVision Silo	\$ 4,958	\$ (172,705)	\$ (167,747)
ACC Cable Communications FL-VA, LLC	\$ -	\$ (243,436)	\$ (243,436)
Adelphia Cable Partners, LP	\$ -	\$ (21,900)	\$ (21,900)
Adelphia Cablevision Associates, LP	\$ -	\$ (2,373)	\$ (2,373)
Adelphia Cablevision of New York, Inc.	\$ -	\$ (140,802)	\$ (140,802)
Adelphia Company of Western Connecticut	\$ -	\$ (110,724)	\$ (110,724)
Adelphia GS Cable, LLC	\$ -	\$ (402,123)	\$ (402,123)
Arahova Holdings, LLC	\$ -	\$ (7,590)	\$ (7,590)
Better TV Inc. of Bennington	\$ -	\$ (10,601)	\$ (10,601)
Cable Sentry Corporation	\$ 1	\$ -	\$ 1
CDA Cable, Inc.	\$ -	\$ (5,317)	\$ (5,317)
Century Alabama Corp	\$ -	\$ (5,425)	\$ (5,425)
Century Cable Management Corp	\$ 2,067	\$ -	\$ 2,067
Century Carolina Corp	\$ 7,340	\$ -	\$ 7,340
Century Cullman Corp	\$ -	\$ (3,484)	\$ (3,484)
Century Enterprise Cable Corp	\$ -	\$ (968)	\$ (968)
Century Huntington Company	\$ -	\$ (14,320)	\$ (14,320)
Century Kansas Cable Television Corp	\$ 2,080	\$ -	\$ 2,080
Century Lykens Cable Corp	\$ -	\$ (2,684)	\$ (2,684)
Century Mississippi Corp	\$ -	\$ (12,388)	\$ (12,388)
Century Norwich Corp	\$ -	\$ (13,380)	\$ (13,380)
Century Shasta Cable Television Corp	\$ -	\$ (13,627)	\$ (13,627)
Century Washington Cable Television, Inc.	\$ -	\$ (71,508)	\$ (71,508)
Chelsea Communications, Inc.	\$ 17,190	\$ -	\$ 17,190
Chelsea Communications, LLC	\$ -	\$ (162,449)	\$ (162,449)
Cowlitz Cablevision Corp	\$ 17,796	\$ -	\$ 17,796
GS Cable, LLC	\$ -	\$ (372,687)	\$ (372,687)
Imperial Valley Cablevision, Inc.	\$ 21,884	\$ -	\$ 21,884
Kalamazoo County Cablevision, Inc.	\$ -	\$ (1,916)	\$ (1,916)
Key Biscayne Cablevision	\$ -	\$ (5,443)	\$ (5,443)
Kootenai Cable, Inc.	\$ -	\$ (27,786)	\$ (27,786)
Lake Champlain Cable Television Corp	\$ 2,744	\$ -	\$ 2,744
Mickelson Media of Florida, Inc.	\$ -	\$ (23,753)	\$ (23,753)
Mountain Cable Communications Corp	\$ -	\$ (23,998)	\$ (23,998)

Summary of Intercompany Balances			
Dollars in Thousands			
	Gross	Gross	
	Receivables	(Payables)	Net
Legal Entity	06/30/02	06/30/02	06/30/02
Mountain Cable Company, LP	\$ -	\$ (189,474)	\$ (189,474)
Multi-Channel TV Cable Company	\$ -	\$ (167,601)	\$ (167,601)
Olympus Cable Holdings, LLC	\$ 1,238,243	\$ -	\$ 1,238,243
Olympus Capital Corp.	\$ 57,872	\$ -	\$ 57,872
Pericles Communications Corporation	\$ -	\$ (80,965)	\$ (80,965)
Pullman TV Cable Co., Inc.	\$ 2,973	\$ -	\$ 2,973
Rentavision of Brunswick, Inc.	\$ 3,472	\$ -	\$ 3,472
Richmond Cable Television Corp	\$ -	\$ (2,967)	\$ (2,967)
Southeast Florida Cable, Inc.	\$ -	\$ (532,317)	\$ (532,317)
Starpoint, Limited Partnership	\$ -	\$ (3,151)	\$ (3,151)
Telesat Acquisition, LLC	\$ -	\$ (82,185)	\$ (82,185)
Three Rivers Cable Associates, LP	\$ -	\$ (40,854)	\$ (40,854)
Timotheos Communications, LP	\$ 513,482	\$ -	\$ 513,482
Valley Video, Inc.	\$ 351	\$ -	\$ 351
Warrick Indiana, LP	\$ -	\$ (96)	\$ (96)
West Boca Acquisition Limited Partnership	\$ -	\$ (90,107)	\$ (90,107)
Wilderness Cable Company	\$ 564	\$ -	\$ 564
Young's Cable TV Corp	\$ 10,782	\$ -	\$ 10,782
Yuma Cablevision, Inc.	\$ 30,366	\$ -	\$ 30,366
Total Olympus/Silo Adelphia	\$ 1,929,205	\$ (2,890,397)	\$ (961,192)
Adelphia Cablevision Associates of Radnor, LP	\$ 1,544	\$ -	\$ 1,544
Adelphia Cablevision of West Palm Beach II, LLC	\$ 6,063	\$ -	\$ 6,063
Adelphia Cablevision of West Palm Beach, LLC	\$ 13,097	\$ -	\$ 13,097
Bucktail Broadcasting Corporation	\$ -	\$ (3,089)	\$ (3,089)
Coudersport Television Cable	\$ -	\$ (2,286)	\$ (2,286)
Henderson Community Antenna Television, Inc.	\$ -	\$ (10,594)	\$ (10,594)
Highland Video Associates, LP	\$ 921,241	\$ -	\$ 921,241
Montgomery Cablevision Associates, LP	\$ -	\$ (665)	\$ (665)
RFP Eliminations	\$ -	\$ -	\$ -
Total Olympus/Silo RFP	\$ 941,945	\$ (16,634)	\$ 925,311
Olympus Co-Borrowing Interest Elimination	\$ 12,500	\$ -	\$ 12,500
Total Olympus/Silo W/RFP	\$ 2,883,651	\$ (2,907,032)	\$ (23,381)
ACC Investment Holdings, Inc.	\$ 16,883,445	\$ -	\$ 16,883,445
ACC Telecommunications LLC	\$ -	\$ (254,666)	\$ (254,666)
ACC Telecommunications of Virginia LLC	\$ -	\$ (42,604)	\$ (42,604)
Adelphia Cablevision, LLC	\$ -	\$ (2,948,599)	\$ (2,948,599)
Adelphia Communications International, Inc.	\$ -	\$ (0)	\$ (0)
Adelphia Harbor Center Holdings LLC	\$ -	\$ (1,050)	\$ (1,050)
Adelphia International II, LLC	\$ -	\$ (19,029)	\$ (19,029)
Adelphia International III, LLC	\$ -	\$ (54,865)	\$ (54,865)
Adelphia Mobile Phones, Inc.	\$ -	\$ (30)	\$ (30)
Adelphia Telecommunications, Inc.	\$ -	\$ (3,925)	\$ (3,925)
Empire Sports Network, LP	\$ -	\$ (12,024)	\$ (12,024)
Mercury Communications, Inc.	\$ -	\$ (3,231)	\$ (3,231)
Page Time, Inc.	\$ -	\$ (12,681)	\$ (12,681)
Sabres, Inc.	\$ 48,363	\$ -	\$ 48,363
The Golf Club at Wending Creek Farms, LLC	\$ -	\$ (25,066)	\$ (25,066)
US Tele-Media Investment Company	\$ -	\$ (407)	\$ (407)
Total Silo 7A Adelphia	\$ 16,931,808	\$ (3,378,179)	\$ 13,553,629
Silo 7A Co-Borrowing Interest Elimination	\$ -	\$ (163,186)	\$ (163,186)
Total Silo 7A Adelphia W/Elimin	\$ 16,931,808	\$ (3,541,365)	\$ 13,390,443
Arahova Communications, Inc.	\$ 1,443,549	\$ -	\$ 1,443,549
Century Advertising, Inc.	\$ -	\$ (2,390)	\$ (2,390)
Century Australia Communications Corp	\$ -	\$ (71,597)	\$ (71,597)
Century Colorado Springs Corp	\$ -	\$ (643)	\$ (643)
Century Communications Corp	\$ -	\$ (717,357)	\$ (717,357)
Century Exchange, LLC	\$ -	\$ (1)	\$ (1)
Century Investment Holding Corp	\$ -	\$ (15,091)	\$ (15,091)
Century Investors, Inc.	\$ -	\$ (7,270)	\$ (7,270)
Century Oregon Cable Corp	\$ -	\$ (3,353)	\$ (3,353)
Century Programming, Inc.	\$ -	\$ (170)	\$ (170)
Century Voice and Data Communications, Inc.	\$ -	\$ (3,181)	\$ (3,181)
FAE Cable Management Corp	\$ 4,760	\$ -	\$ 4,760
Owensboro-Brunswick, Inc.	\$ -	\$ (28,273)	\$ (28,273)
Total Silo 7B Arahova	\$ 1,448,309	\$ (849,827)	\$ 598,983
Adelphia Cablevision of the Kennebunks, LLC	\$ -	\$ (3,279)	\$ (3,279)
Adelphia California Cablevision, LLC	\$ -	\$ (33,958)	\$ (33,958)
Adelphia Telecommunications of Florida, Inc.	\$ -	\$ (183)	\$ (183)


Summary of Intercompany Balances			
Dollars in Thousands			
	Gross	Gross	
	Receivables	(Payables)	Net
Legal Entity	06/30/02	06/30/02	06/30/02
Buenavision Telecommunications, Inc.	\$ -	\$ (45,383)	\$ (45,383)
Century Cablevision Holdings, LLC	\$ -	\$ (254,070)	\$ (254,070)
Global Acquisition Partners, LP	\$ -	\$ (50,523)	\$ (50,523)
Global Cablevision II, LLC	\$ -	\$ (1,953)	\$ (1,953)
Monument Colorado Cablevision, Inc.	\$ -	\$ (16,644)	\$ (16,644)
Robinson/Plum Cablevision, LP	\$ -	\$ (5,119)	\$ (5,119)
Total Silo 7C Olympus	\$ -	\$ (411,111)	\$ (411,111)
ELIMINATIONS	\$ 33,133	\$ -	\$ 33,133
ACC Operations, Inc.	\$ -	\$ (10,598,437)	\$ (10,598,437)
Adelphia Communications Corp	\$ 14,577	\$ -	\$ 14,577
Adelphia Western New York Holdings, LLC	\$ 68,260	\$ -	\$ 68,260
FrontierVision Holdings, LLC	\$ -	\$ (0)	\$ (0)
FrontierVision Partners, LP	\$ -	\$ (682,336)	\$ (682,336)
Montgomery Cablevision, Inc.	\$ 1,304	\$ -	\$ 1,304
Main Security Surveillance, Inc.	\$ -	\$ (1,751)	\$ (1,751)
Praxis Capital Ventures, LP	\$ 1	\$ -	\$ 1
STV Communications, Inc.	\$ -	\$ (0)	\$ (0)
Total Holding Co. Guar., Non-Filers & Elimination Centers	\$ 117,274	\$ (11,282,524)	\$ (11,165,250)
Grand Total	\$ 27,513,800	\$ (27,513,800)	\$ (0)

DECLARATION CONCERNING DEBTORS' SCHEDULES

Declaration Under Penalty Of Perjury On Behalf Of Adelphia Communications Corporation and its debtor affiliates (collectively, the "Debtors")

I, the Senior Vice President and Chief Accounting Officer of Adelphia Communications Corporation, the ultimate parent of the Debtors in these cases, declare under penalty of perjury that I have read the foregoing amended schedules and that such schedules have been prepared under my direct supervision, based upon a review of the business records kept by the Debtors in the ordinary course of business, and based upon the foregoing, and upon the reservation of rights in the Global Notes annexed hereto and subject to further amendments as may be required, are true and correct to the best of my knowledge, information and belief.

Date: May 11, 2005

Signature: 

Scott Macdonald

Title: Senior Vice President
and Chief Accounting Officer of
Adelphia Communications
Corporation

Penalty for making a false statement: Fine of up to \$500,000, or imprisonment for up to 5 years, or both. 18 U.S.C. § 152 and 3571.

ADELPHIA COMMUNICATIONS CORPORATION
SALE PROCESS ACCESS AND INFORMATION PROTOCOL

November 15, 2004

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TO: Protocol Confidentiality Agreement Signatories

FROM: Willkie Farr & Gallagher LLP

RE: Sale Process Access and Information Protocol

CC: Adelphia Communications Corporation (the "Company")

DATED: November 11, 2004

Enclosed are (i) a revised Sale Process Access and Information Protocol (the "Sale Protocol"), clean and marked to show changes from the version of the same distributed on July 16, 2004 and (ii) the Access Protocol referenced in Section 3(f) of the Sale Protocol. Our changes to the Sale Protocol are meant to update its terms in light of recent events and to reflect minor changes which, with the passage of time, appeared appropriate to the Company and its advisors.

We are hereby advising you, on behalf of the Company and pursuant to Section 5(b) of the Sale Protocol, that the Sale Protocol and the Access Protocol will become effective and binding on Monday, November 15, 2004.

Should you no longer intend to be a Protocol Participant, you may voluntarily withdraw from the Sale Protocol pursuant to Section 5(d) thereof. Termination of your participation in the Sales Protocol, however, will not affect your obligations under the Confidentiality Agreement.

The Company and its advisors look forward to pursuing the sale process and keeping you informed of their progress in accordance with the terms of the Sale Protocol.

ADELPHIA COMMUNICATIONS CORPORATION
SALE PROCESS ACCESS AND INFORMATION PROTOCOL

The following is the Sale Process Access and Information Protocol (the "Protocol") relating to the proposed sale of Adelphia Communications Corporation ("ACC") and certain of its subsidiaries (collectively with ACC, the "Company").

I. Parties.

- (a) Eligible Parties. Any of the following entities (the "Eligible Parties") may elect to participate in the Protocol:
- (i) The Official Committee of Unsecured Creditors of the Company, each of the members of such committee, or their respective officers, directors, employees, agents, representatives, attorneys and advisors (collectively, their "Representatives") acting in their capacity as such.
 - (ii) The Official Committee of Holders of Equity Interests in ACC, each of the members of such committee, or their respective Representatives acting in their capacity as such.
 - (iii) The Administrative Agents for the Pre-Petition Lenders, the Ad Hoc Committee of Pre-Petition Lenders to the Company, the Calyon Parties and each of the members of such committees, or their respective Representatives acting in their capacity as such.
 - (iv) The Ad Hoc Committee of Holders of Senior Notes of ACC, each of the members of such committee, or their respective Representatives acting in their capacity as such.
 - (v) The Ad Hoc Committee of Holders of Subordinated Notes of ACC, each of the members of such committee, or their respective Representatives acting in their capacity as such.
 - (vi) The Ad Hoc Committee of Holders of Preferred Stock of the Company, each of the members of such committee, or their respective Representatives acting in their capacity as such.
 - (vii) The Ad Hoc Committee of Trade Creditors of the Company, each of the members of such committee, or their respective Representatives acting in their capacity as such.
 - (viii) Such other committees, official or unofficial of the Company, and such holders of claims against or interests in the Company as the Company shall designate in writing to be Eligible Parties.

- (b) Protocol Participants. Each Eligible Party, including each Eligible Party that is a Representative acting in its capacity as such, that: (i) executes a confidentiality agreement in the form of Exhibit A to this Protocol (the “Confidentiality Agreement”), (ii) agrees to be bound to the terms of the Protocol, and (iii) makes the disclosure required by paragraph (d) below, shall be deemed to be a “Protocol Participant.” If some but not all the members or Representatives of a committee, official or unofficial, become Protocol Participants, then only such members or Representatives, but not their committee taken as a whole, shall be deemed Protocol Participants; provided, however, that if a committee is able to bind all members without such members’ consent, then if such committee so binds all members in a manner reasonably acceptable to the Company: (x) such committee shall be a Protocol Participant and (y) the members of the committee who do not sign a Confidentiality Agreement shall be Protocol Participants solely for purposes of Sections 2 and 4 hereof and shall not be entitled to the Access to Information provided for in Section 3. For the avoidance of doubt, Protocol Advisors (as defined below) and Information Barrier Protocol Participants (as defined below) are included within the definition of Protocol Participant.
- (c) Information Barriers. Notwithstanding anything herein to the contrary, in the event an Eligible Party intends the provisions of this Protocol and the related Confidentiality Agreement to apply solely to the conduct and activities of certain named individual Representatives (collectively, the “Specified Persons”), such Eligible Party shall send a notice to the Company, which notice shall: (w) request that the Eligible Party be deemed to be a Protocol Participant, but that the restrictions contained on Protocol Participants only apply to the Specified Persons (an “Information Barrier Protocol Participant”), (x) contain a list of the Specified Persons, (y) include a representation that the Eligible Party and the Specified Persons shall not disclose, or provide access to, any Information (as defined in the Confidentiality Agreement) to any Representative of the Eligible Party who is not a Specified Person, and (z) contain a description of the information barriers that will be put in place by the Eligible Party to ensure that Information is not disclosed to, or accessible by any Representative of the Eligible Party who is not a Specified Person. The Company may, in its discretion, choose to accept or reject the request from any Eligible Party to be an Information Barrier Protocol Participant. Should the Company in its discretion accept an Eligible Party as an Information Barrier Protocol Participant, then, subject to such Information Barrier Protocol Participant’s compliance with the terms of this Protocol, including Section 3(h), and the Confidentiality Agreement, the restrictions contained in this Protocol and the Confidentiality Agreement shall only apply to such Information Barrier Protocol Participant’s Specified Persons. Each Eligible Party that becomes an Information Barrier Protocol Participant understands and agrees that it is responsible for compliance with all applicable laws, rules, regulations and agreements relating to confidential information, and that the acceptance by the Company of its request does not constitute an endorsement of the adequacy or legality of any information barriers or a waiver by the Company of any of its rights.

- (d) Disclosure of Holdings. Upon becoming a Protocol Participant, each unofficial committee shall file or supplement its Rule 2019 Statement disclosing to the Company and to the United States Trustee the name of the identity of its members and the aggregate holdings in Company securities or other claims of such members, and thereafter shall update such disclosure upon request from the Company, which request may not be made more than once during any calendar month.
- (e) Identification of Protocol Participants. The Company shall, upon request, disclose the identity of each Protocol Participant, including any Information Barrier Protocol Participant, to the other Protocol Participants.

2. The Transaction Process.

- (a) Company Management of Transaction Process. The Company, under the direction and control of its Board of Directors (the “Board”), shall manage the process (the “Transaction Process”) for the sale, transfer or distribution, in one or more transactions, of all or a portion of the capital stock or assets of the Company by means of asset or stock sales, or forward or reverse mergers, consolidations or other business combinations involving the Company (each a “Transaction” and collectively, the “Transaction”). All decisions made by the Board regarding: (i) whether or not to pursue a Transaction, (ii) the material elements of the Transaction Process, and (iii) the approval of a specific Transaction, shall, in addition to any other approval required under applicable law, be made by a majority of the independent directors.
- (b) Non-Interference. The Protocol Participants shall not interfere with the Company’s management of the Transaction or the Transaction Process. Each Protocol Participant shall provide to the Company a written summary of any contact between such Protocol Participant and any known bidder or known (or reasonably expected) potential bidder in a Transaction (a “Bidder”) relating to a bid or a potential bid relating to a Transaction (a “Bid”) or the Company’s chapter 11 case, in each case, within one business day of such contact; it being understood that if a Bidder contacts a Protocol Participant on an unsolicited, incidental basis, the Protocol Participant shall have no disclosure obligations hereunder so long as the Protocol Participant promptly terminates such contact without there having been any substantive discussions and otherwise fully complies in all respects with its obligations hereunder. Without limiting the preceding sentences, the Protocol Participants shall not, and shall cause their Representatives not to, without the express written consent of the Company: (i) solicit any person to participate or not to participate in the Transaction Process; (ii) initiate any contact with any Bidder with respect to a Bid or a Transaction or with any Bidder’s advisors or representatives in their capacity as such; or (iii) respond to any inquiries from a Bidder or its advisors or representatives with respect to a Bid or a Transaction, other than responding to an inquiry by directing the Bidder to a Company Designee. The filing of a pleading with the Bankruptcy Court relating to the Transaction Process subject to a protective order limiting the disclosure of the

pleading to the Company and the Protocol Participants shall not be deemed to be a breach of this Section 2(b). The provisions of this Section 2(b) shall terminate with respect to particular assets or businesses of the Company upon the execution of a definitive agreement for a Transaction providing for the sale or transfer of such assets or businesses to a party that is not an affiliate of the Company (excluding a confidentiality agreement, non-binding term sheet or similar document) (a "Definitive Acquisition Agreement").

- (c) Establishment of Transaction Process. The Company has retained special legal counsel and two financial advisors for the Transaction (collectively, the "M&A Advisor"). The Company, under the direction and control of the Board and with the assistance of the M&A Advisor, has formulated and adopted procedures for the Transaction Process (the "Bidding Procedures"). The Bidding Procedures were approved by the court overseeing the Company's chapter 11 case (the "Bankruptcy Court") on October 22, 2004.
- (d) No Impairment of Statutory Rights. Nothing contained in this Protocol shall constitute a waiver of the rights of the official committees pursuant to Section 1103 of the Bankruptcy Code.

3. Access to Information.

- (a) Company Designees. The Company will designate no less than two (2) representatives to act as liaisons with the Protocol Participants with respect to the Transaction and the Transaction Process (the "Company Designees"). The initial Company Designees shall be Murray Flanigan and Jim Zerefos, who can be reached at 303-268-6300. The Company may at any time replace any Company Designee upon written notice to the Protocol Participants. The Protocol Participants shall not initiate contact with any employees of the Company or the M&A Advisor with respect to the Transaction or the Transaction Process, other than: (i) with respect to substantive matters the Chief Executive Officer, the Chief Financial Officer, the General Counsel, or the Company Designees; (ii) with respect to access to information, the Company Designees; (iii) with the prior written consent of the Chief Executive Officer, the Chief Financial Officer, the General Counsel, or the Company Designees; and (iv) reports to the M&A Advisor of conduct of the type set forth in Section 4(a)(i).
- (b) Periodic Updates. Each of (x) a committee, official or otherwise, (y) each Administrative Agent for the Pre-Petition Lenders, in each of (x) and (y), which is a Protocol Participant, and (z) subject to assurances of confidentiality, the United States Trustee and the Securities and Exchange Commission, may designate a legal and a financial advisor which will represent the interest of such party in connection with this Protocol (any such advisor that executes a Confidentiality Agreement, the "Protocol Advisor"); provided that if some but not all the members of a committee, official or otherwise, are Protocol Participants, then such Protocol Participants may collectively designate a legal and financial Protocol Advisor; provided, further, that if none of the members of a committee,

official or otherwise, are Protocol Participants, but their Representatives are, then such Representatives may collectively designate a legal and financial Protocol Advisor. The Company and the M&A Advisor shall hold telephonic conferences with the Protocol Advisors to update the Protocol Advisors on the status of the Transaction and the Transaction Process; provided that each Protocol Advisor shall designate one individual to participate in such telephonic conferences on behalf of such Protocol Advisor, which individual may not be replaced on a conference call by any other person, except in the event of a permanent replacement, and, except in extraordinary circumstances, no more than two permanent replacements shall be permitted. The telephonic conferences shall be held (i) approximately twice a month (subject to cancellation, including via electronic mail, if there are no material developments since the prior telephonic conference) and (ii) except (A) if in the reasonable determination of the Company such action would jeopardize a potential Transaction (a "Company Determination"), or (B) as otherwise required by law, within three business days of any material development in connection with the Transaction Process. Senior managers of the Company will be available on such telephonic conferences as may be appropriate in light of the subject matter of a given telephonic conference.

- (c) Due Diligence/Bidding Materials. The Protocol Advisors shall be entitled to have access to and to review all written due diligence materials furnished to, or made available to, the Bidders. Without limiting the generality of the foregoing, the Protocol Advisors shall be entitled to receive copies of diligence CD-ROMs, passwords to online data rooms and copies of banker books provided to the Bidders. The Protocol Advisors shall also be entitled to receive copies of all written materials relating to the due diligence and bidding procedures in connection with the Transaction Process furnished to the Bidders during the course of the Transaction Process, including copies of non-disclosure and confidentiality agreements and letters to the Bidders relating to bidding procedures, subject to the terms of the Access Protocol described below.
- (d) Status Conferences with Bankruptcy Court. The Company shall periodically schedule status conferences with the Bankruptcy Court, which shall be open to all Protocol Participants (and, subject to assurances of confidentiality, the United States Trustee and the Securities and Exchange Commission), for the purpose of reviewing the status of the Transaction and the Transaction Process. Protocol Participants shall be entitled to request additional status conferences. Such conferences may be held in open court or conducted in chambers and closed to the public, depending on the subject matter to be addressed, as may be requested by the Company upon at least 48 hours prior notice to each Protocol Participant (absent an emergency or compelling need) and agreed to by the Bankruptcy Court. Unless the status conference is conducted in chambers, it will be conducted in accordance with the terms of the Case Management Order #2, which was approved by the Bankruptcy Court on March 17, 2003, as the same may be amended subsequent to the date hereof. In the event the status conference is conducted in chambers, it may only be recorded by a Bankruptcy Court reporter if the record is sealed.

- (e) Termination of Access to Information. The Company shall have the right to terminate a Protocol Advisor's and/or a Protocol Participant's access to Information (as defined in the Confidentiality Agreement) pursuant to this Section 3, upon the Company's written notice to such participant of the Company's reasonable determination that such Protocol Advisor or Protocol Participant (i) has violated the terms of this Protocol or the related Confidentiality Agreement or (ii) is affiliated or otherwise associated with a Bidder, including, without limitation, if such Protocol Participant agrees with any Bidder either (x) to support a plan of reorganization in which such Bidder is the counterparty to a Transaction or (y) to oppose a plan of reorganization in which any person other than the Bidder is the counterparty to a Transaction. Any Protocol Advisor and/or Protocol Participant shall immediately disclose any such affiliation or association to the Company. Any Protocol Advisor or Protocol Participant denied access to information pursuant to this Section 3(e) may contest such determination by application to the Bankruptcy Court on notice to all Protocol Participants.
- (f) Limitation on Access to Information. Notwithstanding anything to the contrary contained herein but without limitation to any existing information rights any Protocol Participant may otherwise be entitled to, the Company shall not be required to disclose to the Protocol Advisors and/or the Protocol Participants the following Information relating to the Company: (i) information as to the programming costs associated with a particular programmer or a particular channel, (ii) privileged analyses of, and information relating to, litigation, (iii) material covered by pre-existing confidentiality restrictions or attorney-client privilege, (iv) information the disclosure of which is limited by applicable law, and (v) additional information the disclosure of which is limited by a Company Determination. In addition to the foregoing limitations, as soon as practicable after the M&A Advisor has been retained, the Company, under the direction and control of the Board, shall in consultation with the M&A Advisor establish an additional protocol (the "Access Protocol") governing whether and to what extent the identity of any Bidder, the terms of any proposal for a Transaction submitted by any Bidder, and such other information as the Company reasonably determines with respect to any Transaction or Bid or the Transaction Process (collectively, "Bid Information") will be disclosed to the Protocol Advisors and/or the Protocol Participants. The Access Protocol will include such restrictions on disclosure of Bid Information as may be reasonably imposed by a Bidder or required by the Company, under the direction and control of the Board, based upon the advice of the M&A Advisor to facilitate the Transaction Process, which restrictions may include that no disclosure of the Bid Information will be made during such time when the disclosure of Bid Information could impair the Transaction Process or reduce the distributable value of the Company from a Transaction.
- (g) Use of Information. The Information obtained by a Protocol Participant pursuant to the terms of this Protocol and the related Confidentiality Agreement may be used by a Protocol Participant solely for the purpose of evaluating a Transaction and the Transaction Process in their capacity as a creditor, holder of an interest, or Representative of a creditor or holder of an interest, and may not be used for any

- purpose that is detrimental to the Company or to advantage one Bidder over another. Notwithstanding the generality of the foregoing, except as otherwise expressly set forth herein, Information obtained by a Protocol Participant pursuant to this Protocol may not be used or relied upon in any manner whatsoever in any litigation, arbitration, mediation or other legal or regulatory proceeding, including but not limited to any hearing, motion, or other proceeding commenced or pending in connection with the Company's chapter 11 case (collectively and individually, "Litigation"); provided that the foregoing shall not limit the use of Information in connection with the filing of objections with the Bankruptcy Court (a) following such time as the Company has entered into a Definitive Acquisition Agreement for the purpose of either opposing or supporting the Transaction Process (provided that all materials are filed under seal, absent consent of the Company or a Bankruptcy Court order to the contrary), or (b) pursuant to Section 2(b) of the Protocol. The Company's entering into, agreeing to and/or producing Information pursuant to this Protocol or otherwise complying with the terms of this Protocol shall not prejudice in any way its rights to (i) object to requests for discovery or to the production of Information that it considers privileged or otherwise protected from disclosure or discovery in connection with any Litigation or (ii) object to the relevance, materiality, competence, authenticity or admissibility into evidence at trial of any Information that is subject to this Protocol in connection with any Litigation.
- (h) Sharing of Information. Information gained by any Protocol Participant, including a Protocol Advisor, may only be shared by such Protocol Participant with a person that is a Protocol Participant, including (i) with respect to a Protocol Advisor with its principals who are Protocol Participants, and (ii) with respect to an Information Barrier Protocol Participant with its Representatives who are Specified Persons; it being understood that a Protocol Participant may not share Information with a Protocol Participant whose access to Information has been terminated pursuant to Section 3(e). The Company will provide each Protocol Participant with prompt notice of any Protocol Participant whose access to Information has been terminated pursuant to Section 3(e).
- (i) No Waiver. This Protocol is without prejudice to the Company's right to assert that documents, materials or information provided to Protocol Participants pursuant to this Protocol are subject to a claim of privilege or protection on the basis of the attorney-client privilege, attorney work product, or on the basis that it was prepared in anticipation of litigation, or on any other ground whatsoever. If documents, materials or information subject to a claim of privilege or protection on the basis of the attorney-client privilege, attorney work product, or on the basis that it was prepared in anticipation of litigation, or on any other ground is nevertheless inadvertently disclosed by the Company, such disclosure shall in no way prejudice or otherwise constitute a waiver of, or estoppel as to, any claim that the materials are privileged or otherwise protected from disclosure. Upon receipt of written notice by the Company to any Protocol Participant that such materials were inadvertently disclosed (which notice may be delivered via electronic mail), such Protocol Participant shall promptly return to the Company or destroy all such

materials within its possession, custody or control as to which the claim of inadvertent disclosure has been made. In addition, the receiving Protocol Participant shall destroy all notes or work product reflecting the contents of such material.

4. Transaction Process Interference.

- (a) For purposes of facilitating the Transaction Process and maximizing the distributable value of the Company from a Transaction, counsel to the Company, counsel to each of the Administrative Agents and counsel to each of the committees referred to in Section 1(a) that become Protocol Participants shall designate a representative whose function shall be limited to:
 - (i) Receiving oral or written reports, if any, from the M&A Advisor as to any actions by:
 - (1) the Company that are in conflict with achieving the goals of the Transaction Process or the Transaction;
 - (2) any Protocol Participant in violation of the terms of this Protocol; and
 - (3) any other person that interferes with the Transaction or the Transaction Process.
 - (ii) Receiving from the M&A Advisor copies of reports submitted by Protocol Participants to the M&A Advisor pursuant to Section 3(a)(iv).
 - (iii) Making submissions and recommendations to the Bankruptcy Court based on the reports received pursuant to the terms of this Protocol.
- (b) The M&A Advisor shall have no liability for any action or inaction taken pursuant to this Section 4 other than for its bad faith, gross negligence or willful misconduct; provided that in the event of a conflict between the foregoing exculpation provision and the order authorizing the retention of the M&A Advisor, the exculpation provision of such retention order shall be controlling.

5. Effectiveness of Protocol and Termination.

- (a) Each Confidentiality Agreement shall be effective upon its execution by the parties thereto.
- (b) This Protocol shall not become effective and binding upon the Company or any Eligible Party until such time as the Company sends written notification to the Protocol Participants that in its reasonable determination a sufficient number of Eligible Parties have agreed to become Protocol Participants so as to make the operation of this Protocol in the best interest of the Company and its constituents.

- (c) The Company may terminate this Protocol at any point in time upon written notice to the Protocol Participants.
 - (d) Any Protocol Participant may voluntarily withdraw from the Protocol upon five days' prior written notice to the Company.
 - (e) The provisions of the Confidentiality Agreement and Sections 3(g) shall survive termination of the Protocol and/or the withdrawal of a Protocol Participant and continue in full force and effect.
6. Prosecution of Stand Alone Plan. Pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002 and 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Company shall seek to schedule a hearing before the Bankruptcy Court on an appropriate date in relation to the development of the Transaction Process (the "Disclosure Statement Hearing Date") to consider the entry of an order, among other things, approving the disclosure statement and authorizing the Company to solicit acceptances of the plan of reorganization and related relief. Prior to the Disclosure Statement Hearing Date, the Company shall file an amended plan of reorganization and disclosure statement and provide notice of the Disclosure Statement Hearing Date in accordance with the Bankruptcy Code and Bankruptcy Rules.
 7. Waiver. The Company may waive or amend the restrictions contained in this Protocol as they relate to the Protocol Participants in general and may not waive or amend the restrictions related to only some of the Protocol Participants; provided, however, that no such amendment that increases the restrictions on, or abrogates the rights of, any individual Protocol Participant or the Protocol Participants in general shall be binding on such entities, unless such amendment has either (a) been consented to in writing by the entity in question, or (b) has been approved by the Bankruptcy Court.
 8. Discovery. Nothing contained in this Protocol shall limit or prevent any Protocol Participant from obtaining any information through any lawful means, including without limitation, under Rule 2004 of the Federal Rules of Bankruptcy Procedure, by subpoena, discovery request or otherwise; provided, that no information obtained pursuant to the other Sections of this Protocol may be used as a basis for, or in connection with, such efforts. Such parties shall have the right to seek discovery of any information already provided hereunder. Any information obtained under this Section shall not be subject to the terms of this Protocol; provided, however, that nothing herein shall prejudice the Company's right to seek a protective order or similar relief with respect to such discovery.
 9. Court Approval. The Protocol shall not be subject to the approval of the Bankruptcy Court.
 10. Entire Agreement. This Protocol, together with the related Confidentiality Agreement and the Access Protocol, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes and is in full substitution for any and

all prior agreements and understandings among them relating to such subject matter. In the event of a conflict between the terms of this Protocol and the terms of the Access Protocol, the terms of the Access Protocol shall govern.

ADELPHIA COMMUNICATIONS CORPORATION

ACCESS PROTOCOL

The following is the Access Protocol (this "Access Protocol") adopted pursuant to the Sale Process Access and Information Protocol (the "Protocol") relating to the proposed sale of Adelphia Communications Corporation ("ACC") and certain of its subsidiaries (collectively with ACC, the "Company").

1. Provision of Bid Information. The Company will not disclose to the Protocol Participants (as defined in the Protocol) Bid Information (as defined in the Protocol) during such time when the disclosure of Bid Information could impair the Transaction Process (as defined in the Protocol) or reduce the distributable value of the Company from a Transaction (as defined in the Protocol). To the extent the Company determines that the disclosure of any Bid Information to the Protocol Participants will not impair the Transaction Process or reduce the distributable value of the Company from a Transaction, the Company shall disclose such Bid Information to the Protocol Advisors pursuant to the telephonic conferences required pursuant to Section 3(b) of the Protocol and shall arrange for a meeting with the Protocol Participants to disclose such Bid Information.
2. Miscellaneous. Sections 7 (other than the proviso), 8, 9 and 10 of the Protocol shall apply to this Access Protocol *mutatis mutandis*.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period

Commission File Number: 0-16014

ADELPHIA COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of other jurisdiction of
incorporation or organization)

23-2417713
(I.R.S. Employer)
Identification No.)

5619 DTC Parkway
Greenwood Village, CO
(Address of principal executive offices)

80111
(Zip Code)

303-268-6300
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act: **None.**
Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, \$0.01 par value; and
5½% Series D Convertible Preferred Stock, \$0.01 par value.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

Aggregate market value of outstanding Class A Common Stock, par value \$0.01, held by non-affiliates of the registrant at June 30, 2003 was approximately \$61.7 million and as of June 30, 2004 was approximately \$116.6 million, based on the closing sale price as reported on the Pink Sheets as of each such date. For purposes of this calculation only, affiliates are deemed to be directors and executive officers of the registrant.

At September 30, 2004, 228,692,414 shares of Class A Common Stock, par value \$0.01, and 25,055,365 shares of Class B Common Stock, par value \$0.01, of the registrant were outstanding.

ADELPHIA COMMUNICATIONS CORPORATION

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CAUTIONARY STATEMENTS

This Annual Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding Adelphia Communications Corporation's ("Adelphia") and its subsidiaries' (collectively, the "Company," "we," "our" or "us") expected future financial position, results of operations, cash flows, process for the sale of the business, restructuring and financing plans, expected emergence from bankruptcy, business strategy, budgets, projected costs, capital expenditures, network upgrades, products and services, competitive positions, growth opportunities, plans and objectives of management for future operations are forward-looking statements. In some instances, you can identify these forward-looking statements by the presence of words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions. Such forward-looking statements are inherently uncertain, and readers must recognize that actual results may differ materially from the Company's expectations. The Company does not undertake a duty to update such forward-looking statements. Factors that may cause actual results to differ materially from those in the forward-looking statements include the risk factors set forth in this Annual Report under the heading "Business — Risk Factors," and the Company's pending bankruptcy proceeding, results of litigation against the Company and government investigations of the Company, the effects of government regulation including the actions of local cable franchising authorities, the availability of financing, actions of the Company's competitors, results and impacts of the process to sell the Company or its assets, pricing and availability of programming, equipment, supplies, and other inputs, the Company's ability to upgrade its cable network, technological developments, and changes in general economic conditions. Many of these factors are outside of the Company's control.

INTRODUCTORY NOTES

All financial, statistical and operating data of the Company in this Annual Report, including data relating to subscribers, includes information only with respect to Adelphia and its subsidiaries that are consolidated for financial reporting purposes. The statistical and operating data of the Company in this Annual Report includes 100% of such data from less than wholly-owned consolidated subsidiaries. The financial, statistical and operating data of the Company in this Annual Report does not include data with respect to various cable systems that are owned or controlled by members of John J. Rigas' family and for which the Company provides management services or with respect to the Company's Puerto Rican joint venture. The Company is considering whether the applicable provisions of generally accepted accounting principles will make it appropriate effective January 1, 2004, for the Company to consolidate for financial reporting purposes, certain Rigas-owned or controlled entities that had access, along with the Company, to certain credit facilities and the subsidiaries of such Rigas-owned or controlled entities.

Through May 2002, John J. Rigas, his sons and members of his immediate family constituted a majority of the board of directors of Adelphia (the "Board") and held all of the senior executive positions with the Company. The Company has filed a lawsuit against members of the John J. Rigas' family and their controlled entities which generally alleges that the defendants misappropriated billions of dollars from the Company in breach of their fiduciary duty to the Company. In addition, John J. Rigas and Timothy J. Rigas have been found guilty in the United States District Court for the Southern District of New York (the "District Court") of conspiracy, securities fraud and bank fraud in connection with certain actions taken by them during their tenure as officers and directors of Adelphia. All statements in this report regarding improper actions of Rigas Management (as defined herein), except to the extent relating to the subject matter of the guilty verdicts, constitute allegations on the part of the Company. Readers should not rely on Adelphia's periodic and other reports filed prior to May 24, 2002.

A glossary of certain defined terms is included at the end of this report.

PART I

ITEM 1. BUSINESS

OVERVIEW

General

We are the fifth largest operator of cable systems in the United States. Our operations primarily consist of providing analog and digital video services, high-speed Internet access and other advanced services over our broadband networks. These services are generally provided to residential subscribers. As of December 31, 2003, our consolidated cable operations served approximately 5,085,000 basic cable subscribers, of which approximately 1,802,000 also received digital cable service. Our consolidated cable systems also provided high-speed Internet ("HSP") services to approximately 954,000 subscribers as of December 31, 2003. With the exception of 47,000 basic cable subscribers that were located in Brazil, all of our consolidated basic cable subscribers as of December 31, 2003 were located in the United States. Our domestic consolidated cable operations are located in 31 states, with large clusters in Los Angeles, New England, Western New York, West Palm Beach, Cleveland, Western Pennsylvania, Northern Virginia and Colorado Springs.

In addition to our consolidated operations, we managed certain cable operations that we did not consolidate for financial reporting purposes at December 31, 2003. These cable operations consisted primarily of various entities that are owned or controlled by members of John J. Rigas' family (collectively, the "Rigas Family") that operate cable systems and for which the Company provides management services (collectively, the "Managed Cable Entities") and cable properties owned by a joint venture in Puerto Rico in which the Company has a 50% interest. At December 31, 2003, the Managed Cable Entities and Puerto Rico operations served approximately 238,000 and 140,000 basic cable subscribers, respectively.

In June 2002, Adelphia and substantially all of its domestic subsidiaries (the "Debtors") filed voluntary petitions to reorganize (the "Chapter 11 Cases") under Chapter 11 of Title 11 ("Chapter 11") of the United States Code (the "Bankruptcy Code") and are currently operating as debtors-in-possession. On February 25, 2004, the Debtors filed their proposed joint plan of reorganization under Chapter 11 of the Bankruptcy Code (the "Stand-Alone Plan") and related draft disclosure statement with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") that contemplated that the Debtors emerge from bankruptcy as a stand-alone entity. On April 22, 2004, Adelphia announced that it intended to pursue a possible sale of the Company while simultaneously pursuing the Stand-Alone Plan. On September 21, 2004, Adelphia formally launched its sale process in which potential bidders were invited to submit preliminary indications of interest in the Company or one or more Company-designated clusters of cable systems. On November 1, 2004, Adelphia, based on the non-binding indications of interest it received from bidders, invited qualified bidders to further participate in the sale process and to submit final legally binding bids in accordance with the bidding procedures approved by the Bankruptcy Court. The Company is pursuing the dual track process to determine which alternative is in the best interest of the Debtors' constituents in the Chapter 11 Cases.

Period During Which Members of the Rigas Family Held Executive Positions

The predecessor cable business of the Company was founded in 1952 in Coudersport, Pennsylvania. Adelphia was incorporated in Delaware in July 1986 for the purpose of reorganizing five cable television companies, which were then principally owned by the Rigas Family, into a holding company structure in connection with the initial public offering of Adelphia's Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock").

Prior to May 2002, members of the Rigas Family held all of the senior executive positions at Adelphia and constituted five of the nine members of the Board (collectively, "Rigas Management"). In addition, Adelphia's Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "Adelphia Common Stock"), is owned by members of the Rigas Family and entities in which members of the Rigas Family directly or indirectly held controlling interests (such entities collectively referred to as the "Rigas Family Entities"). The Class B Common Stock is a "super-voting" common stock that entitles the holders to 10 votes per share and, prior to the commencement of the Chapter 11 Cases, effectively enabled the Rigas Family to elect eight of the nine members of the Board. As described in greater detail below, beginning in 2002 the Company alleged that among other wrongdoing, Rigas Management had issued false and misleading public disclosures, consolidated financial statements and compliance certificates, improperly capitalized operating expenses, engaged in allegedly improper transactions, failed to reflect indebtedness for which the Company was liable on the Company's accounting records or in the Company's public disclosure, allegedly engaged in improper self-dealing transactions, allowed members of the Rigas Family to utilize Company assets for

their personal benefit, and allegedly took other improper actions. Following the discovery of Rigas Management's alleged misconduct, a special committee of the Board obtained the agreement of all of the members of Rigas Management to resign from their positions as officers and directors of Adelphia. Beginning in May 2002, the Board began reconstituting itself, and as of January 1, 2004, the Board was composed of seven directors, none of whom had served as directors during the period when Rigas Management ran the Company. Although members of the Rigas Family and Rigas Family Entities continue to own shares of the Class B Common Stock with a majority of the voting power in Adelphia, the Rigas Family has been unable to exercise such voting power since they resigned from their positions as officers and directors of Adelphia and are effectively precluded from exercising such voting power during the pendency of the Chapter 11 Cases.

New Management

Effective March 18, 2003, William T. Schleyer was appointed as our Chairman and Chief Executive Officer ("CEO") and Ron Cooper was appointed as our President and Chief Operating Officer ("COO"). Shortly after the appointments of Messrs. Schleyer and Cooper, the Board and these new officers hired a new senior management team. These executives have implemented new internal controls and procedures designed, among other things, to prevent a recurrence of the improper acts that allegedly occurred during the tenure of Rigas Management. Following the resignation of Rigas Management, the Company performed an extensive review of its historical public disclosures, books and records, accounting policies and practices and consolidated financial statements and determined that certain of its public disclosures, books and records and consolidated financial statements as of and for the years ended December 31, 2000 and 1999, were materially misstated as a result of the actions taken by Rigas Management.

Available Information

Our Internet address is www.adelphia.com. In addition, our website contains a hyperlink to the Adelphia page on the Securities and Exchange Commission (the "SEC") website (www.sec.gov). Thus, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are all available free of charge through our Internet website as soon as reasonably practicable after filing such reports with, or furnishing them to, the SEC. Readers are advised that our periodic and other reports filed with or furnished to the SEC prior to May 24, 2002 were prepared by Rigas Management and do not reflect the results of the subsequent investigation of actions taken by Rigas Management, the implementation of our new corporate governance policies and procedures or other steps subsequently taken by the Company. Therefore, readers should not rely on our periodic and other reports filed prior to May 24, 2002.

Our principal executive offices are located at 5619 DTC Parkway, Greenwood Village, Colorado 80111, telephone number (303) 268-6300.

CORPORATE GOVERNANCE

Since May 2002, the Board and senior management extensively reformed the Company's corporate governance practices. Although the Board and management's work in this area is ongoing, they have implemented corporate governance policies and procedures that meet or exceed the requirements of the Sarbanes-Oxley Act of 2002 and other applicable rules, and have incorporated corporate governance principles from stock exchange listing requirements, suggestions from various shareholder advocacy groups and best practices and procedures from other major public corporations. We have kept the SEC apprised of our corporate governance reforms.

Reorganization of the Board Committees

As part of Adelphia's corporate governance initiatives, the Board has made substantial changes with respect to its various committees. Prior to May 2002, the Board had three standing committees, the Audit Committee, the Nominating Committee and the Compensation Committee. During the tenure of Rigas Management, the Nominating Committee was comprised of four non-independent directors, John J. Rigas, Michael J. Rigas, Timothy J. Rigas and James P. Rigas, and the Audit Committee included Timothy J. Rigas until June 2001.

Following the departure of the Rigas Family members from the Board, the Board created a Corporate Governance Committee, which was later combined with the Nominating Committee to form the Corporate Governance and Nominating Committee. The Board also has adopted written charters for the Corporate Governance and Nominating Committee and the Compensation Committee, and has amended the previous Audit Committee charter. Each of these charters was prepared to meet or exceed applicable legal and stock exchange requirements, and to incorporate progressive corporate governance

practices. Pursuant to each committee charter, each of the Corporate Governance and Nominating Committee, the Audit Committee and the Compensation Committee are to be comprised solely of independent directors as determined in accordance with Adelphia's corporate governance guidelines.

The Corporate Governance and Nominating Committee assists the Board by: (i) recommending to the Board, carrying out and maintaining the Company's corporate governance policies and processes; (ii) identifying qualified individuals for membership on the Board and its committees; (iii) recommending the composition and procedures of the Board and its committees; and (iv) assessing the effectiveness of the Board and its committees.

The Audit Committee assists the Board by: (i) monitoring the integrity of Adelphia's financial statements (and audits thereof) and its financial and accounting reporting processes, audit process, procedures and systems of internal controls regarding finance, accounting and legal and regulatory compliance which management and the Board have established; (ii) monitoring the independence, qualifications and performance of Adelphia's independent public accountants and internal auditing department; and (iii) providing an open avenue of communication among the independent public accountants, management, the internal auditing department and the Board.

The Compensation Committee assists the Board by: (i) providing a forum for independent judgment as to the fairness of director, executive and employee compensation arrangements at the Company; and (ii) determining the terms of such compensation arrangements.

Creation of Lead Director Position

In April 2003, the Board established the position of Lead Director to be elected on an annual basis by a majority of the independent members of the Board. Adelphia's independent directors elected Anthony Kronman as the Lead Director in December 2003. In light of current best governance practices, the Board created the Lead Director position for periods when Adelphia's CEO also serves as the chairperson of the Board, as is currently the case. The Lead Director is responsible for, among other things:

- calling and presiding over executive sessions of the independent directors;
- serving as a liaison between the independent directors and the non-independent directors and management regarding matters addressed in executive sessions;
- acting as chairperson of the Board in the absence of the chairperson of the Board;
- advising the chairperson of the Board and the committee chairpersons as to the agenda for meetings of the Board and its committees;
- serving as the director contact for shareholder communications; and
- providing leadership in the event of the incapacitation of the chairperson of the Board or a crisis or other event or circumstance that would make management leadership ineffective or inappropriate.

Corporate Governance Guidelines

Pursuant to the recommendation of the Corporate Governance and Nominating Committee, the Board in July 2004 approved corporate governance guidelines for Adelphia (the "Corporate Governance Guidelines"). The Corporate Governance Guidelines, together with all applicable laws, Adelphia's Certificate of Incorporation and Bylaws, the Code of Business Conduct and Ethics (the "Code of Ethics") and the various committee charters, are intended to provide a comprehensive framework for the governance of Adelphia. The Corporate Governance Guidelines incorporate new legal requirements and best practices with respect to the function and composition of the Board, selection of new directors, tenure of directors, Lead Director position, meetings of the Board, executive sessions of independent directors, committees of the Board, access of the Board to management and outside advisors, compensation of directors, director and officer conduct, evaluation of the Board, evaluation of senior management, management succession, director orientation and continuing education, stock ownership and conflicts.

Code of Business Conduct and Ethics

In April 2003, the Board adopted the Code of Ethics, which sets forth Adelphia's policies for directors, officers (including Adelphia's principal executive officer, principal financial officer and principal accounting officer) and employees in connection with, among other things, the maintenance of accurate company records, communications with the public, conflicts of interest, treatment of confidential information, use of company assets, anti-nepotism, the reporting of accounting complaints and illegal and unethical behavior, compliance with laws relating to discrimination and harassment, commercial bribery, competition and fair dealing, and insider trading. The Code of Ethics has been disseminated to all of our employees, and employees are required to certify their agreement to abide by the Code of Ethics. The Code of Ethics has been filed as Exhibit 14.1 to this Annual Report.

Corporate Governance Officer

The Code of Ethics contemplates the appointment of a corporate governance officer ("CGO"). The role of the CGO is to assist with the administration and implementation of the Code of Ethics and, among other things, to serve as the central point of contact for employees wishing to report any illegal or unethical behavior. Brad M. Sonnenberg, Adelphia's General Counsel, serves as the CGO.

Complaints Regarding Accounting Matters or Other Wrongdoing

As part of our implementation of the Code of Ethics, we have established procedures for the receipt of all complaints regarding any alleged wrongdoings. These procedures include the establishment of a dedicated toll-free hotline number, a U.S. mailing address and an e-mail address to facilitate such communications, whether from employees or outside interested parties. The CGO receives and oversees the investigation of all such complaints in the first instance.

Furthermore, our Audit Committee and Board have adopted a whistleblower policy, which links the Code of Ethics and the existing Sarbanes-Oxley requirements by addressing the receipt, retention and handling of all complaints received by the Company (whether audit-related or not).

BUSINESS STRATEGY

Since the current management team was hired in early 2003, we have implemented a strategy designed to increase revenue, profitability and competitiveness, reduce costs and improve the overall efficiency of our business. Our objective is to maintain and leverage our position as a leading provider of analog and digital video and HSI services. Key elements of our strategy include:

- **Own and operate an upgraded high-bandwidth, two-way network**—The upgrade of our broadband network allows us to introduce advanced products and services including high definition television ("HDTV"), digital video recorders ("DVR") and video-on-demand ("VOD"), and to extend the reach of our HSI services. The broadband network upgrade has been ongoing over the past several years. The introduction of advanced services such as HDTV, DVR and VOD began in late 2003. As of December 31, 2003, approximately 89% of homes passed had bandwidth capacity of at least 550 megahertz ("MHz") with two-way capacity, and approximately 79% of homes passed had bandwidth capacity of at least 750-MHz with two-way capacity. We are able to offer HSI services and a more robust digital offering to homes at 550-MHz with two-way capacity. For homes with bandwidth capacity of at least 750-MHz, we are able to drive incremental revenue and customer choice by offering HDTV, DVR and VOD and, in the future, voice over Internet protocol ("VoIP") services. We will utilize the advanced services and packages to attract and retain customers and compete against video services offered by direct broadcast satellite ("DBS") providers and HSI services offered by digital subscriber line ("DSL") providers. We expect that our ability to offer a competitively priced package of video and HSI services will be a key factor in improving customer retention and competing effectively against DBS and DSL providers.
- **Offer Bundled Services**—We offer a bundled package of video and HSI services to subscribers. Bundling of video and HSI services and VoIP, when launched, is an important part of our strategy. Competitive pressures from DBS and DSL providers have increased subscriber movement, or churn, away from cable operators. We believe the ability to offer a competitively priced bundle of services through one contact and one bill can reduce overall churn, improve operating efficiencies, reduce customer calls and drive subscriber and revenue growth.

- **Deliver a quality customer experience**—Customer service is an important element of our business strategy. Prior to 2003, we had many small call centers serving our customers. In 2003, we initiated a plan to reduce the number of call centers, expand the scale of existing centers and improve the training, skills and product knowledge of our call center employees. We made significant improvements in this area in 2003 with the introduction of interactive voice response (“IVR”) technology that allows customers to resolve issues quickly and leads to improvements in our internal operating efficiencies. In addition, we opened an inbound call center in Orlando, Florida in April 2004 staffed with customer representatives focused on sales, including opportunities to sell additional services to existing customers (upselling), and on assisting customers with self-installation of HSI.

We believe that the combination of a broadband cable network, expanded service offerings and customer choice and commitment to customer service should enable the Company to expand its business, develop new revenue streams, increase profitability and effectively compete in the marketplace.

CUSTOMER STATISTICS

The following table summarizes the Company's consolidated end of year customer statistics for basic and digital video and HSI for each of the three years ended December 31, 2003 (numbers in thousands, except percentage data):

	2003	2002	2001
Homes Passed (a) (b).....	10,061	(a)	(a)
Subscribers (b)			
Video			
Basic Cable (c)	5,085	5,191	5,256
Basic Penetration (d)	50.5%	(d)	(d)
Digital Cable (e)	1,802	1,693	1,274
Digital Penetration (f).....	35.4%	32.6%	24.2%
High-speed Internet (g).....	954	620	305
High-speed Internet Penetration (h).....	11.5%	(h)	(h)
Total revenue generating units (i).....	7,841	7,504	6,835

- (a) A home is deemed to be "passed" by cable if it can be connected to the cable network without any further extension of the cable network. Due to actions taken by Rigas Management, we cannot verify the accuracy of homes passed information prior to 2003 and therefore, are unable to present such information in this Annual Report.
- (b) Excludes systems that are managed by the Company, but not consolidated for financial reporting purposes.
- (c) A residential subscriber who has at a minimum broadcast service, regardless of any other services taken, is counted as one basic cable subscriber. "Basic cable subscribers" excludes complimentary accounts (such as our employees) and includes promotional accounts. Subscribers in commercial, multi-dwelling or other bulk establishments are counted as an equivalent bulk unit ("EBU"), based on the prevailing rate for the franchise area. EBUs are calculated by dividing the total basic and expanded basic revenue from the commercial, multi-dwelling or other bulk establishment by the prevailing rate for the franchise area. The EBU method of estimating basic video subscribers is consistent with the methodology used in determining costs paid to programmers and has been consistently applied for all periods. If we increase our effective basic rates to residential subscribers without a corresponding increase in the rates charged to commercial, multi-dwelling or other bulk establishments, our EBU count will decline even if there is no decrease in commercial, multi-dwelling or other bulk establishment subscribers.
- (d) Basic cable subscribers as a percentage of homes passed. As described in (c) above, basic cable subscribers includes an adjustment for subscribers in commercial, multi-dwelling or other bulk establishments. Homes passed does not include a similar adjustment. As a result, relative to commercial, multi-dwelling or other bulk establishments, the calculation results in penetration of less than 100% even when such establishment is fully penetrated. Due to actions taken by Rigas Management, we cannot verify the accuracy of homes passed information prior to 2003 and therefore are unable to present basic cable penetration rates prior to 2003 in this Annual Report.
- (e) A residence or business with one or more active digital set-top boxes is counted as one digital cable subscriber. "Digital cable subscribers" excludes complimentary accounts (such as our employees) and includes promotional accounts.
- (f) Digital cable subscribers as a percentage of basic cable subscribers.
- (g) A residence or business with one or more active HSI modems is counted as one HSI subscriber. "HSI subscribers" excludes complimentary accounts (such as our employees) and includes promotional accounts.
- (h) HSI subscribers as a percentage of HSI-ready homes. HSI-ready homes were approximately 8.3 million at December 31, 2003. Due to actions taken by Rigas Management, we cannot verify the accuracy of HSI-ready homes information prior to 2003 and therefore are unable to present HSI penetration rates prior to 2003 in this Annual Report.

- (i) Total revenue generating units is a statistic developed by the National Cable & Telecommunications Association ("NCTA") and is calculated as the sum of basic cable subscribers, digital subscribers and HSI subscribers.

SERVICES

Video Services

Video services represented approximately 82%, 85% and 77% of our total revenue in 2003, 2002 and 2001, respectively. We typically offer these services to our customers for a monthly subscription fee. Our video services consist of the following:

- Basic cable. Our basic cable service generally consists of between 10-20 channels. This service generally consists of programming provided by national television networks, local broadcast television stations, a limited number of satellite-delivered channels and public, educational and governmental access channels.
- Expanded Basic. Our expanded basic service generally consists of a group of satellite-delivered or non-broadcast channels in addition to the basic cable service channel line-up.
- Premium Services. Our premium service channels provide, without commercial interruption, movies, live and taped concerts, sporting events and other programming.
- Pay-Per-View Programming. Our pay-per-view programming service allows our customers to order special events or movies on a per event basis for a fee.
- Digital Cable. Our digital cable services offer customers more channels and choices than our basic cable service. As of December 31, 2003, approximately 35% of our basic cable subscribers were also digital cable subscribers. Subscribers to our digital cable service receive one or more of the following:
 - an interactive program guide;
 - multiple channels of digital video programming and music;
 - "multiplexes" of premium video channels that are varied as to time of broadcast or programming content theme; and
 - additional pay-per-view programming, such as more pay-per-view options and/or frequent showings of the most popular films.

In October 2003, we introduced new digital cable and HSI packages in most markets. These new packages are designed to increase revenue through more profitable price points and higher penetration of digital and HSI services and to reduce churn by offering customers compelling bundled packages as compared to services offered by our competitors.

- Advanced Services. Many of our upgraded homes are able to receive enhanced offerings such as VOD, HDTV and DVR.
 - *Video on Demand*—VOD is an interactive service that provides access to hundreds of movies and other programming with functionality similar to VCRs. There are three types of VOD services: (i) those that customers pay for on a per-selection basis and have access to the programming for a 24-hour period, (ii) programming that is provided as part of a premium package at no incremental charge to the customer and (iii) free, on demand content that features a variety of subjects and that is available to all digital subscribers.
 - *High Definition Television*—HDTV is high resolution digital television and, through an HDTV set-top box, offers customers better picture quality and enhanced audio.

- *Digital Video Recorders*—DVR services allow customers to store programming on a hard disk drive for viewing at a later time. The DVR functions like a VCR except there is no tape and DVR offers greater ease of use and enhanced recording and playback options.

High-Speed Internet Services

Our HSI services represented approximately 10%, 6% and 3% of our total revenue for 2003, 2002 and 2001, respectively. Our HSI services were available to approximately 82% of our homes passed for a monthly fee as of December 31, 2003. HSI services are provided through cable modems and represent a more robust alternative to Internet access over analog modems using dial-up connections. Our HSI services currently include virus protection, firewall and pop-up blockers, and home networking is currently on trial on a limited basis. In addition, our HSI services provide constant Internet connectivity without needing to tie up a telephone line. The network capability also allows us to offer tiered services at different speeds and price points, providing customers with choices more closely tailored to their needs and potentially expanding our customer base and revenue opportunity.

Media Services

Media services sell television advertising that we insert into certain of the programming services we carry on our networks. The sale of such advertising represented approximately 6%, 6% and 6% of our total revenue for 2003, 2002 and 2001, respectively. Such revenue was generated primarily from the sale of local, regional and national advertising and promotional opportunities on national and regional cable networks. Our advertising sales organization covers more than 60 designated market areas across the United States.

Other Services

We also provide home security monitoring services and long distance services in certain markets. We entered into an asset purchase agreement with a third party in November 2004, pursuant to which we agreed to sell substantially all of the assets of our home security business. This sale is subject to the approval of the Bankruptcy Court and to customary closing conditions. Prior to 2003, the Company offered wireless messaging services that were discontinued in early 2003. Revenue for other services represented approximately 2%, 3% and 14% of our total revenue for 2003, 2002 and 2001, respectively. For 2001, revenue for other services includes revenue attributable to TelCove, Inc. ("TelCove"), a former majority-owned subsidiary of the Company which provided various telecommunications services. The Company completed a spin-off of TelCove in January 2002. See Note 9, "TelCove," to the accompanying consolidated financial statements.

Voice-over Internet Protocol (VoIP) Services

Our upgraded network will support the delivery of a competitive alternative to traditional switched telephone service using VoIP. Our proposed VoIP service will offer many of the most desirable features and functionality as traditional residential telephone service. It will support 911 emergency services and will comply with the Communications Assistance to Law Enforcement Act ("CALEA"), and interoperate with the public switched telephone network ("PSTN"). In 2004, we began preparations for offering VoIP service, including product development, securing the necessary commercial agreements, initiation of a technical trial and interoperability testing with our information systems and the PSTN. We anticipate commercial launch of VoIP during 2005, with the specific date dependent on completion of operational readiness tests.

PRICING FOR SERVICES

Our revenue is derived principally from the monthly fees our customers pay for the services we offer. A one-time installation fee, which is often waived during certain promotional periods for a standard installation, is charged to new customers. The prices we charge vary based on the level of service the customer chooses and the particular geographic market. Most of our pricing is reviewed and adjusted on an annual basis.

In accordance with the rules of the Federal Communications Commission (the "FCC"), the prices we charge for basic cable service and cable-related equipment, such as set-top boxes and remote control devices, and for installation services in those communities where the local franchise authority (the "LFA") has elected to regulate such prices, are based on actual costs plus a permitted rate of return.

NETWORK TECHNOLOGY

Cable television delivers multiple channels of video and audio programming to subscribers that pay a monthly fee for the services they receive. Cable systems receive at "headends" video, audio and data signals transmitted by nearby television broadcast stations, terrestrial microwave relay services and communications satellites. These signals are amplified and distributed by optical fiber and coaxial cable to the premises of customers.

We are engaged in an ongoing effort to upgrade the network capabilities of our cable plant and to increase channel capacity for the delivery of additional programming and new services. As of December 31, 2003, approximately 89% of our homes passed were upgraded to a capacity of 550-MHz or greater and had two-way capability. Homes upgraded to a capacity of 550-MHz or greater and having two-way capability are capable of receiving two-way digital video and HSI services. Of our total homes passed, approximately 79% were upgraded to 750-MHz or higher at December 31, 2003. These homes are now capable of receiving advanced services such as VOD and HDTV. Our cable systems generally carry up to 80 analog channels. We are able to offer additional video services through digital video technology which converts, on average, ten analog channels into a digital format and compresses these signals into the space normally occupied by one analog channel.

Hybrid fiber coaxial cable ("HFC") architecture is the standard for our system upgrades. HFC architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable is a communication medium that utilizes glass fibers to transmit signals over long distances with minimal signal loss or distortion. Fiber optic cable has high capacity and reliability and can carry hundreds of video, data and voice channels over extended distances. Coaxial cable is less expensive but requires extensive signal amplification in order to maintain the desired transmission levels for delivering channels to homes. In most systems, we deliver channels via fiber optic cable from the headend to a group of nodes and use coaxial cable to deliver the channels from an individual node to the homes served by that node. Our system design enables a group of segmented homes to be served by a single node. Currently, our existing nodes (in 750-MHz and 860-MHz systems) serve an average of 250 homes passed. We believe that this hybrid network design provides high capacity and a high quality signal at a reasonable cost as well as additional capacity for future video, data and voice services.

MANAGEMENT OF OUR CABLE SYSTEMS

Many of the functions associated with the management of our cable operations are centralized at our corporate offices in Greenwood Village, Colorado or Coudersport, Pennsylvania, including accounting and finance, billing, payroll and benefit administration, information system design and support, internal audit, purchasing, product development, programming and HSI network administration.

In addition to our centralized corporate offices, we have several regional offices. Current management consolidated the number of regional headquarters from seven to five during 2003: California, Central, Northeast, Southeast and Western. The consolidation has improved operating efficiencies and placed more decision-making authority in the field, closer to customers, communities and front-line employees.

Operating Regions

Operationally, the five regions are each managed by a regional senior vice president ("SVP") and include a leadership team of operations, finance, marketing, legal, human resources and engineering personnel. These regional teams manage day-to-day operations, including sales, installations, customer service, technical support and local regulatory relations, and have profit and loss responsibility.

California Region

Headquartered in Santa Monica, California, the California region operates in the Los Angeles metropolitan area, the second largest designated market area in the United States. Key communities include Los Angeles, Anaheim, East San Fernando Valley, Redlands, Santa Monica, Carlsbad, Simi Valley and Ventura County. A portion of the region's basic cable subscribers (primarily in the Los Angeles area) is served by a joint venture with Comcast Corporation ("Comcast") in which the Company owns a 75% interest in two partnerships and manages the day-to-day operations ("Century-TCI"). The California region is characterized by a fast-growing ethnically diverse population and high digital penetration. The region has low basic penetration due to the availability of a significant amount of free-over-the-air television channels, including channels in Spanish and strong competition from DBS providers, who have captured over 20% of the multichannel market.

Central Region

Headquartered in Charlottesville, Virginia, the Central region covers systems in Indiana, Kentucky, Maryland, North Carolina, Ohio, southern Pennsylvania, Tennessee, Virginia and West Virginia. The region is comprised of a mix of urban, suburban and rural communities. The largest market in this region is Cleveland.

Northeast Region

Headquartered in Andover, Massachusetts, the Northeast region operates across the seven states of Connecticut, Maine, Massachusetts, New Hampshire, New York, Pennsylvania and Vermont. A portion of the region's basic cable subscribers (primarily in the Buffalo, New York area) are served by a joint venture with Comcast in which the Company holds a 66.67% interest in two partnerships and manages the day-to-day operations (collectively, "Parnassos"). The largest markets in this region are the Western New York area and the greater Boston/Cape Cod/Martha's Vineyard area.

Southeast Region

Headquartered in West Palm Beach, Florida, the Southeast region covers systems in Alabama, Florida, Georgia, Mississippi, North Carolina, Puerto Rico and South Carolina. Much of the region is characterized by a significant amount of multi-dwelling units ("MDU") and master planned communities that are under bulk agreements, which led to an EBU adjustment for subscribers. A bulk agreement, in general, provides for a long-term, guaranteed penetration for a discount off retail rates. Given the large geographic area served by the region, there is much diversity among the systems due to differing demographics and competitive situations. The largest market in this region is the West Palm Beach area, encompassing systems in West Palm Beach, Boca Raton, Delray Beach, Palm Beach Gardens and Stuart, Florida. In addition to having a MDU concentration, certain areas of the Southeast region have high seasonal and retiree populations.

Western Region

Headquartered in Colorado Springs, Colorado, the Western region covers systems in Arizona, California (covering cable systems not included in the California region), Colorado, Idaho, Kansas, Montana, Oklahoma, Washington and Wyoming. The largest market in this region is Colorado Springs.

CUSTOMER SERVICE

We currently serve all of our domestic customers through national call centers. Sales and retention calls are handled on a company-wide basis in two separate call centers. HSI technical assistance calls are handled at three different call centers which are linked. All billing and video repair calls are handled in seven call centers that are aligned with specific regional operations. One of the billing and video call centers is operated through a domestic outsourcing arrangement. We began utilizing IVR technology at the end of 2003.

Historically, the Company has fielded customer service requests, inquiries and complaints through a large number of customer service centers. In an effort to improve customer satisfaction and provide consistent service to our customers, we made the decision to consolidate local call centers during 2003 and 2004. As of December 31, 2003, we served approximately 65% of our video customer base in nine regional call centers located across the country, and all of our HSI customers in three regional call centers. The remaining video customers were served in 66 local call centers of varying sizes.

SALES AND MARKETING

Our sales and marketing efforts are focused on increasing and retaining subscribers as well as generating incremental revenue through upgrades and the selling of advanced services. We market our services through promotional campaigns and offers, local media advertising opportunities, telemarketing, direct mail advertising, on-line selling, in person selling and retail distribution, with our internal call centers as our largest sales channel. In addition, we reserve a portion of our inventory of locally inserted cable television advertising to market our services to our customers.

PROGRAMMING SUPPLIERS

We have contracts to obtain the programming we provide to our customers from various programming suppliers. We generally compensate these suppliers based on a fixed fee per customer or a percentage of our gross receipts for specific programming services. Our programming contracts are generally for a fixed period of time and are subject to negotiated

renewal periods. Programming costs have historically been, and are expected to continue to be, our largest single expense item. Increases in programming expenses are driven by increased costs to produce or purchase programming, especially sports programming, inflationary increases and expansion of product offerings due to the upgraded cable network and the introduction of advanced services and new channels.

COMPETITION

The broadband communications industry in which we operate is highly competitive. Our cable systems compete with a number of different sources that provide information, news, entertainment programming and broadband services to consumers. In some instances, we compete with companies that have greater access to financing, greater personnel resources, better brand name recognition and/or less extensive regulatory obligations. The following businesses offer some or all of the services that are offered by us and, therefore, are in direct competition with us in some or all of our markets:

- DBS operators that transmit video and audio programming, data and other information by high-powered satellites to consumers' receiving dishes on a nationwide basis;
- local telephone companies that provide voice and data services in direct competition with cable operators. Local telephone companies are now fully deploying DSL service that provides Internet access to subscribers at data transmission speeds substantially greater than that of conventional analog modems. In addition, certain regional Bell operating companies ("RBOCs") have announced plans to more broadly compete with cable operators by offering video services in the near future;
- cable television operators that build and provide cable systems in the same communities that we serve (overbuild);
- other program distributors, such as satellite master antenna television systems ("SMATV systems") and wireless cable operators;
- utilities that may soon enter the Internet access and data transmission markets; and
- municipalities that provide video, Internet access and data transmission services through their own distribution facilities.

Direct Broadcast Satellite

DBS is a significant competitor to cable systems. The DBS industry has grown rapidly over the last several years, far exceeding the growth rate of the cable television industry, and now serves more than 22 million subscribers nationwide. Two companies, DIRECTV, Inc. ("DirecTV") and EchoStar Communications Corporation ("EchoStar"), provide service to substantially all of these DBS subscribers.

DBS service allows the subscriber to receive video services directly via satellite using a relatively small dish antenna. News Corp., one of the world's largest media companies, recently acquired a controlling interest in DirecTV, the largest domestic DBS company. This business combination could significantly strengthen DirecTV's competitive posture. In addition to the two established DBS providers, DirecTV and EchoStar, Cablevision Systems Corp. ("Cablevision") launched a new satellite DBS service known as Voom, which commenced offering high definition programming services in the fall of 2003. Additionally, EchoStar and DirecTV both have entered into joint marketing agreements with RBOCs to offer bundled packages combining telephone service, DSL and DBS services.

Video compression technology and high-powered satellites allow DBS providers to offer more than 200 digital channels, thereby surpassing the typical analog cable system. In 2003, major DBS competitors offered a greater variety of channel packages, and were especially competitive at the lower end of the pricing spectrum. In addition, while we continue to believe that the initial investment by a DBS customer exceeds that of a cable customer, the initial equipment cost for DBS has decreased substantially, as the DBS providers have aggressively marketed to new customers by offering incentives such as discounted or free equipment, installation and multiple equipment units. DBS providers are able to offer service nationwide and are able to establish a national image and branding with standardized offerings, which together with their ability to avoid franchise fees of up to 5% of revenue and property taxes, leads to greater efficiencies and lower costs in the lower tiers of service. However, we believe that cable-delivered VOID and subscription VOD are superior to DBS service

because cable headends can store thousands of titles which customers can access and control independently, whereas DBS technology can only make available a much smaller number of titles with DVR-like customer control. We also believe that our higher tier products, particularly our bundled offerings, are price-competitive with DBS packages.

DBS companies historically were prohibited from retransmitting popular local broadcast programming. However, a change to the copyright laws in 1999 eliminated this legal impediment. As a result, DBS companies now may retransmit such programming, once they have secured retransmission consent from the popular local broadcast stations they wish to carry, and honor mandatory carriage obligations of less popular local broadcast stations in the same television markets. In response to the legislation, DirecTV and EchoStar have begun carrying the major network stations across many of the nation's television markets. In contrast, however, to some cable operators, DBS is not currently carrying the high definition signals of all local broadcasters.

Telephone Companies and Utilities

The deployment of DSL by local phone companies allows Internet access to subscribers at data transmission speeds greater than those available over analog modems using dial-up connections. DSL service therefore is competitive with HSI access over cable systems. Several telephone companies which already have plant, an existing customer base, and other operational functions in place (such as billing, service personnel, etc.) and other companies offer DSL service. The telephone companies actively market DSL service and many providers have offered promotional pricing with a one-year service agreement. The FCC has initiated a rulemaking proceeding that could materially reduce existing regulation of DSL service, essentially freeing such service from traditional telecommunications regulation. It is also possible that federal legislation could reduce regulation of Internet services offered by incumbent telephone companies. Legislative action and the FCC's decisions and policies in this area are subject to change. We expect DSL and other forms of HSI access to remain a significant competitor to our HSI services.

We believe that pricing for residential and commercial data services on our systems is generally comparable to that for similar DSL services and that some residential customers prefer our ability to bundle HSI services with video services. However, DSL providers are increasingly discounting DSL services within their voice bundles. DSL providers also may currently be in a better position to offer data services to businesses since their networks tend also to service commercial areas whereas our networks primarily service residential areas. They also have the ability to bundle telephony with HSI services for a higher percentage of their customers, and that ability is appealing to many consumers.

We cannot predict the magnitude of success of the broadband and video services offered by our competitors or the impact on us of such competitive services. The entry of telephone companies as direct competitors in the video marketplace may become more widespread and could adversely affect the profitability and valuation of established cable systems.

We are also subject to competition from utilities that possess fiber optic transmission lines capable of transmitting signals with minimal signal distortion. Utilities are also developing broadband over power line technology, which is intended to allow the provision of Internet and other broadband services to homes and offices.

Although telephone companies can lawfully provide video services, activity in this area is currently limited. Recently, however, Verizon Communications, Inc., SBC Communications Inc. and BellSouth Corp. announced plans to provide video services to a significant portion of their service area over the next several years. Competitive local exchange carriers ("CLECs") do provide facilities for the transmission and distribution of voice and data services, including Internet services, in competition with our existing or potential product offerings.

Broadcast Television

Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an "off-air" antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through "off-air" reception compared to the services provided by the local cable system. Traditionally, cable television has provided a higher picture quality and more channel offerings than broadcast television. However, the licensing of digital spectrum by the FCC is providing traditional broadcasters with the ability to deliver high definition television pictures and multiple digital-quality program streams, as well as advanced digital services such as subscription video and data transmission. Broadcasters in certain markets are also utilizing their digital spectrum to offer competitive multichannel video subscription services.

Traditional Overbuilds

Cable systems are operated under non-exclusive franchises granted by local authorities. More than one cable system may legally be built in the same area. The existence of more than one cable system operating in the same territory is referred to as an "overbuild." It is possible that a franchising authority might grant a second franchise to another cable operator and that such a franchise might contain terms and conditions more favorable than those afforded to us. Although an infrequent occurrence, franchising authorities will in certain circumstances seek to promote competition by offering a less demanding franchise to a new entrant. In a number of states this practice is prohibited by "level playing field" statutes. In addition, entities willing to establish an open video system, under which they offer unaffiliated programmers non-discriminatory access to a portion of the system's cable system, may be able to avoid local franchising requirements. There are a number of cities that have constructed their own cable systems, in a manner similar to city-provided utility services. There also has been interest in traditional overbuilds by private companies. Constructing a competing cable system is a capital intensive process which involves a high degree of risk. We believe that in order to be successful, a competitor's overbuild would need to be able to serve the homes and businesses in the overbuilt area on a more cost-effective basis than we can. Any such overbuild operation would require either significant access to capital or access to facilities already in place that are capable of delivering cable television programming.

We estimate that, as of December 31, 2003, less than 5% of our total homes passed were overbuilt by other cable operators. As of December 31, 2003, we have upgraded many of these systems to at least 550-MHz two-way HFC architecture and have the ability to effectively compete by offering advanced services.

Private Cable

Additional competition is posed by SMATV systems serving MDUs, such as condominiums, apartment complexes, and private residential communities. These private cable systems may enter into exclusive agreements with such MDUs, which may preclude operators who hold franchises with local franchising authorities from serving residents of such private complexes. Private cable systems can offer both improved reception of local television stations and many of the same satellite-delivered program services that are offered by cable systems. SMATV systems currently benefit from operating advantages not available to franchised cable systems, including fewer regulatory burdens and no requirement to service low density or economically depressed communities. Exemption from regulation may provide a competitive advantage to certain of our current and potential competitors.

Wireless Distribution

Cable systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems ("MMDS"), known as "wireless cable," which uses low-power microwave frequencies to transmit television programming over-the-air to paying customers. Wireless distribution services generally provide many of the programming services provided by cable systems, and digital compression technology increases significantly the channel capacity of their systems. Both analog and digital MMDS services, however, require unobstructed "line of sight" transmission paths and MMDS ventures have been quite limited to date. The FCC recently completed its auction of Multichannel Video Distribution & Data Service ("MVDDS") licenses. MVDDS is a new terrestrial video and data fixed wireless service that the FCC hopes will spur competition in the cable and DBS industries. MVDDS will utilize a point-to-multipoint, line-of-sight technology, similar to MMDS; however, MVDDS licensees have significantly more spectrum in each market to provide service. MVDDS licensees do not, however, have exclusive use of the 12.2 to 12.7 gigahertz spectrum band, and will be required to share the band with DBS providers, and are required to protect DBS from harmful interference.

REGULATION AND LEGISLATION

Laws and regulations affect various aspects of our businesses, including, among other things, the prices for basic cable service and equipment, the costs associated with attaching wires to utility and telephone poles and customer service requirements. In general, our video operations are subject to regulation by federal, state and local governments. Although our HSI business is currently subject to less extensive regulation, that status could change in the near future, as discussed in more detail below.

The FCC is the lead federal agency for regulating the cable business, and its rules and regulations, adopted pursuant to the Communications Act of 1934, as amended (the "Communications Act"), affect our ability to pursue business plans, raise capital, and compete with other companies in the communications industry. The FCC may enforce its regulations

through fines and other penalties, including the revocation of licenses needed to operate our cable-related transmission facilities. We believe that we are currently in substantial compliance with all applicable statutory and regulatory requirements imposed by, or under, the Communications Act.

The rules and laws affecting our businesses are subject to change. The FCC may interpret its rules and regulations in enforcement proceedings in a manner that is inconsistent with the judgments we have made. Regulators and legislators may change existing rules or establish new rules. Congress, for example, considers new legislative requirements for cable operators virtually every year, and there is always a risk that such proposals will be enacted. Changes in existing laws and regulations could occur that are inconsistent with our expectations and the expectations of investors.

Congress and the FCC have adopted measures in recent years to increase competition in all communications services, including the cable industry. For example, local telephone companies may now offer cable service in their local service areas; satellite providers may now deliver local broadcast stations as part of their video offerings; and the FCC has assigned spectrum for MVDDS. We could be materially disadvantaged if we were subject to new regulations that do not equally affect these and other competitors.

There are potential risks associated with proceedings currently underway, or that may be underway in the future, at the FCC, in the courts, and before federal and state legislatures and LFAs. We summarize below those proceedings that hold the greatest potential to materially affect our ability to conduct our cable business.

Pricing

The Communications Act and the FCC's regulations impose limits on the prices cable systems may charge for basic services and related equipment in franchise areas that are not subject to effective competition (as defined by federal law) where the LFA has elected to regulate such rates. Congress sometimes considers imposing new price and packaging regulations on the cable industry. For example, Congressional committees have held hearings this year on cable television, and some parties have proposed to require cable operators to offer individual programming services on an "a la carte" basis rather than as part of a programming service tier. At the request of some members of Congress, the FCC issued a report to Congress in November 2004 which concluded that a la carte requirements would: (i) result in higher rates for most multichannel video programming distributor ("MVPD") subscribers; (ii) raise equipment, customer support, and other costs for cable operators and other MVPDs; and (iii) significantly harm programmers, particularly independently-owned and niche programmers. In addition, some competitors have urged Congress, the FCC, and the United States Department of Justice (the "DoJ") to restrict cable operators' flexibility to offer promotions or other discounts to retain existing subscribers or regain lost subscribers. We believe our competitive pricing practices are lawful and pro-competitive. We cannot predict the outcome of these pricing-related initiatives.

Must-Carry/Retransmission Consent

The Communications Act and the FCC's rules regulate the carriage of local broadcast stations by cable operators. Under the "must-carry" rules, cable operators are required to carry the signal of most local broadcast stations. Alternatively, under the "retransmission consent" rules, local broadcast stations may choose to negotiate with cable operators over the terms and conditions under which such operators transmit the station's signal. As part of the transition from analog to digital broadcast transmission, Congress and the FCC have given local broadcast stations a digital channel in addition to their current analog channel. The FCC is considering whether to require cable companies to simultaneously carry both the analog and digital signals of each broadcaster during the transition (at the end of which, broadcasters must return their analog channel to the government). The FCC is also considering whether, both during the transition and after the transition is complete, cable operators will be required to carry a single program stream of a local broadcaster or the multiple program streams that can be transmitted in a digital signal. If the FCC were to adopt such expanded must-carry requirements, we would have less flexibility to allocate our cable capacity among video and non-video services that our subscribers might prefer. Such an outcome might affect our ability to attract and retain subscribers. It is uncertain whether and when the FCC will rule on these expanded must-carry proposals.

High-Speed Internet Service

Some local governments and various competitors have advocated the imposition of regulatory requirements on how cable operators deal with third-party Internet service providers ("ISPs"). Only a few local governments have actually imposed such requirements, and, in each case, the courts have invalidated them. The FCC has classified cable HSI as an "interstate information service," rather than a "telecommunications service." Traditionally, classification as an interstate